CASE STUDY

Local Definitions and Metrics of Inclusion for International Development: A Study of Four Financial Institutions in Colombia

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About this Case Study

This case study explores how financial institutions define, measure, and track financial and social inclusion and identify what proactive activities they are undertaking to be more financially and socially inclusive. We interviewed 17 key informants from four Colombian financial institutions that participated in a USAID project implemented by Chemonics International. The financial institutions are crucial local private sector actors and the primary organizational touchpoints for supporting economic activities among a large segment of Colombia's rural population. This study shows the importance of enabling local partners to define, measure, and track what success looks like for them with important implications for international development programs.

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Key Words

inclusion, finance, Colombia, informant, localization, implementer, Indigenous, women, youth, measurement, metric, indicator

About the cover photo: From 2015 through 2022, Chemonics International implemented the Rural Finance Initiative (RFI) project. Funded by USAID, RFI worked with local financial institutions in Colombia to expand financial inclusion for Venezuelan migrants in urban areas and for Colombians in rural areas. *Photo courtesy of RFI.*

Introduction

USAID defines **inclusive development** as “an equitable development approach built on the understanding that every person, of all diverse identities and experiences, is instrumental in transforming their societies,” and that “inclusive development processes lead to better outcomes for the communities who embark upon them.” Consistent with other implementing partners of USAID-funded programs, Chemonics adopts the World Bank’s definition of **social inclusion** to operationalize inclusive development: “the process of improving the terms on which individuals and groups take part in society — improving the ability, opportunity, and dignity of those disadvantaged on the basis of their identity.” USAID describes **financial inclusion** as the ability to access and use a range of financial services to improve financial well-being and resilience to external shocks (USAID, 2021).

Defining and measuring inclusion within international development programs has been the topic of many assessment and measurement approaches for donor-funded initiatives, including USAID programs. The concept of inclusion is often used as a user-friendly term for addressing the way individuals can access resources and institutions to their benefit, but implementers are likely to encounter challenges incorporating inclusion measures into policy when these terms are not formally defined (Oxoby, 2009). The concepts of financial and social inclusion are closely intertwined, and studies often define the concept of financial inclusion in terms of exclusion (Federico et al., 2021). Making this even more complex, some researchers argue that social exclusion and inclusion are context-specific phenomena (Silver, 2015), contending that we need to understand how those living and working within the local development context define these terms — financial and social inclusion — instead of a “one-size-fits-all” definition by U.S.-based program implementers. Programs that measure and track financial and social inclusion should use metrics and information that align with those localized definitions.

Mainstreaming inclusion in international development means all groups, regardless of identity, are visible, meaningfully represented, and active participants in development programming. Given the importance of strengthening local capacity and implementing inclusive development, Chemonics aims to improve our understanding of how our local partners and project participants define, measure, and track these complex terms of social and financial inclusion for themselves. We hypothesize that we can define financial and social inclusion in the Colombian context and the relationships between them by discussing these concepts with local informants. Their perspectives provide locally informed, contextualized definitions that should inform how implementers and local partners should co-design sound program approaches in line with USAID’s and other donors’ localization priorities.

In this case study we present our findings on how four Colombian financial institutions define and measure financial and social inclusion (e.g., for Indigenous people, people with disabilities, gender identity, youth, etc.). We based our qualitative analysis on 17 key informant interviews representing financial institutions that participated in the USAID/Colombia Rural Finance Initiative (RFI) project implemented by Chemonics International. We then identify recommendations for international development practitioners to apply when designing programs to advance inclusion outcomes based on our findings.

Methods

Study Population

Our study population includes Colombian financial service institutions and their members, with a specific interest in reaching women, youth, Indigenous people, and underrepresented groups.

Sampling

We selected four local financial institutions in Colombia (three cooperatives and one nonprofit) for the study due to their strategies for inclusion: Coofisam, Congente, Microempresas de Colombia (MdC), and the nonprofit Corporación de Crédito Contactar (CdCC). All four institutions participated in the USAID/Colombia RFI project, which was implemented by Chemonics International between 2017 and 2022. Table 1 presents an overview of these financial institutions, along with examples of support received by the RFI project.

Table 1. Attributes of the four participating financial institutions*

Attribute	Coofisam	Congente	MdC	CdCC
Financial Services	Savings, credit (microcredit, home, business, education), insurance (home, education, life)	Savings, credit (microbusinesses), insurance (health, home, life, vehicle, small/medium enterprise)	Savings, credit (home, microbusiness, digital), insurance, business development	Credit, (microbusiness), microinsurance, sustainability management
Total Staff (% women)	206 (58%)	151 (68%)	248 (63%)	1,331 (53%)
Total Clients (% women)	102,837 (47%)	50,413 (53%)	114,543 (56%)	133,611 (50%)

USAID/Colombia RFI support received (examples)	Improve rural and agriculture credit and value chain; support expansion into areas with large Indigenous populations, including savings groups and mobile banking	Support expanded financial services; pilot test mobile technologies supporting onsite credit applications; foster women's empowerment activities	Strengthen financial products; improve digital platforms and provide sustainability training; support increased geographic coverage, agents, and membership	Improve loan products; improve training services; support increased coverage, branches, and agents; test their value chain finance model
Financial Services	Savings, credit (microcredit, home, business, education), insurance (home, education, life)	Savings, credit (microbusinesses), insurance (health, home, life, vehicle, small/medium enterprise)	Savings, credit (home, microbusiness, digital), insurance, business development	Credit, (microbusiness), microinsurance, sustainability management

**Source: Financial institution reports (2022-2023 data), financial institution websites (retrieved Jan 2023), and USAID/Colombia RFI project reports*

Seventeen informants gave informed consent to participate in the study (Table 2). We selected informants to include at least one representative from each of the varying leadership positions within the financial institutions. We selected women informants when possible.

Table 2. List of key informants (n=17)

Informant Position	Coofisam	Congente	MdC	CdCC
Executive director/president			1	1
General/administrative manager/assistant	1	1	1	
Commercial manager/assistant	1	1	1	1
Communications director/assistant	1	1	1	
Social development lead	1	1		1
Sustainability director				1
Technology manager			1	
Total (No. female)	**4 (1)**	**4 (1)**	**5 (2)**	**4 (0)**

Recruitment and Interview Process

Prior to the study, a designated study team member contacted the chief executive officer and/or general manager of each financial institution and gave an overview of the study's purpose, described the interview process, offered to share results, and obtained oral consent to participate in the study and permission to contact additional key informants for interviews. After receiving approval, we scheduled interviews with the selected informants.

All interviews were held over Microsoft Teams between September 6 and 21, 2022, and attended only by the informant and the interviewer. The interviewer did not collect or record any personally identifiable information and all persons interviewed were over 18 years of age. The interviewers introduced themselves, identified the study sponsor as Chemonics International, gave the general topic of the study and content of the interview questions, emphasized the confidentiality of their responses, explained how the information would be used, and gave an estimate of the interview's length. All interviewees agreed to participate and gave permission to record the interview. We conducted all interviews in Spanish.

Written transcripts in Spanish were produced using the recordings, and we then translated them into English using DeepL Pro. We back-translated and cross-checked randomly selected subsets of text from the English transcripts to ensure that the translation process did not inadvertently change the meanings of the informants' answers. We stored all recordings and transcripts on a secure server at Chemonics with password protection.

Analysis

Data collected by this study is qualitative, capturing non-numerical concepts and perspectives of the key informants we interviewed. The study uses a case study approach to perform analysis and draw conclusions. The steps involved include familiarization with the data (i.e., answers to interview questions), identifying thematic framework(s), (re)organizing and mapping responses across those identified themes, and interpretation. To complete the analysis, we organized informants' answers to interview questions using Excel tables to identify patterns that form the basis for informed conclusions and recommendations. To maintain the confidentiality of their responses, we do not identify informants.

Study Limitations

Given the purpose and scope of this study, the authors acknowledge the limited power of having a small, nonrandom sample. We understand the study objectives are hypothesis-generating, as opposed to hypothesis-testing, which would require a more robust sample and an approach to ensure response saturation.

The authors acknowledge that the absence of a control group and the risk of bias — in particular, selection bias — can present challenges to the external validity of findings. However, the key informant approach is useful when investigating a new theme or outcome of interest because it provides descriptive information and contributes to building knowledge and generating hypotheses (Torres-Duque et al., 2020). Therefore, this design meets the study objective. The strength of this design is that it is quick and requires fewer resources, and therefore is an appropriate approach for gathering important evidence that will inform the hypotheses of future studies that use more rigorous methodologies.

This study is also susceptible to interviewer bias. Interviewers mitigated this bias by a) emphasizing there are no wrong or right answers and encouraging informants' personal perspectives at the beginning of each interview, b) refraining from asking leading questions during interviews, and c) recording interviews and conducting post-interview quality checks on the transcripts to ensure the interviewer's perceptions were not inadvertently injected into the transcripts.

This study's approach relies on informants to recall past events, which are susceptible to inaccurate or incomplete recollections and can lead to recall bias if there is systematic under- or over-reporting. To reduce this bias, the interviewers: a) refrained from asking leading questions, b) ensured questions were clear to reduce variation in comprehension, c) used interactive, live Microsoft Teams interviews that support follow-up questions and clarifications when needed, and d) selected informants with current/recent financial institution experiences.

Findings: Local Definitions on Inclusion

When discussing financial and social inclusion, informants overwhelmingly focused on their clients and the communities their financial institutions serve. Although there were no limits set for how informants defined and discussed inclusion, none of the informants spoke about inclusion within their own institution's organizational staffing, leadership, or hiring practices.

Defining Financial Inclusion

In general, informants did not provide a precise definition for their financial institution's approach to financial inclusion, but they did confidently describe the elements of what financial inclusion entails in practice. For example, informant 17 noted, *"I do not have a precise definition, but I, personally, am certain that we are doing real financial inclusion."*

There was general agreement that financial inclusion involves offering financial products to communities and populations who previously did not have access to them. Informants said that financial inclusion implies formal participation in the financial system through any of the products or services offered, including savings and lending, financial education, and/or business training (informants 4, 5, 6, 7, 8, 9, and 14). Informants also said financial inclusion means providing clients with real opportunities to improve their lives. Therefore, financial education and knowledge are key components.

Every informant mentioned the importance of providing financial education so that clients understand both the potential benefits of financial products and services and how to budget and manage finances. Specifically, informants discussed how access to the service itself, such as opening a savings account, is not enough to meet the definition:

> *"Inclusion has two important components, one is the possibility of improving the quality of life, another is to accompany you — apart from bringing you to a different level economically and socially, it continues to strengthen you."* ***– Informant 5***
>
> *"Financial inclusion is not [only] credit; financial inclusion is savings and it is financial education."* ***– Informant 7***

Informants from two of the four financial institutions noted how this definition of financial inclusion is not reflected in how state or national authorities track, measure, or report it.

> *"Normally, at the national level, the issue of inclusion is evaluated and measured regardless of the product that the client acquires or whether the product is active or not. I am referring to savings accounts… so in my opinion, that is not such an accurate measurement."* ***– Informant 17***
>
> *"Almost all government plans or company policies do not apply [the definition] to its full extent because they have policies that are not in line with the reality of our country. We talk about financial inclusion for women and young people, but when young people and women go to access a financing product, the first thing they are asked is, 'Where are your guarantees, show me your financial history, and based on that I'll decide whether to assume that risk or not.'"* ***– Informant 6***

Informants identified groups who have been excluded in the past and reiterated the importance of reaching people who previously did not have opportunities to access financial services. Informants identified the excluded groups as Indigenous people, women, and migrant communities. They believe these groups could benefit from closer collaboration with the financial institutions.

Expanding Inclusion to Those Without Previous Opportunities (or Knowledge) to Participate

Populations served: Overall, the informants consider themselves and their respective financial institutions to be inclusive to prospective clientele within their geographically or economically targeted populations. Interviewers asked informants to describe the social identity and characteristics of their clients. In some cases, interviewers asked follow-up probes to clarify whether they served youth, women, and/or Indigenous groups. Informants overwhelmingly said their institutions would serve anyone regardless of gender, race, or age. According to the informants, three financial institutions (Coofisam, Congente, and MdC) focus on both rural and urban populations, while CdCC focuses on rural micro-entrepreneurs.

Social class is highly stratified in Colombia: socioeconomic strata range from 0 to 6 under a public policy designed to subsidize public services for the poorest in the lowest strata. However, that distinction has become a social category to reference identity, and those perceptions increase the discrimination between groups and institutionalize practices of exclusion (García-Sánchez et al., 2018). Regardless of geographical operational presence, clientele of all four financial institutions include those in the lowest-income strata (informants reported focus on strata 1 through 3) and informants noted that knowledge about, and access to, financial services within these strata is a challenge.

> *"[It's] important that we continue working on this issue of outreach, of financial inclusion, because there are many people who are unaware that there are entities such as microfinance institutions here to support small producers who do not have all the requirements and conditions to access formal and traditional banking, and for that same lack of documentation or lack of knowledge, they turn to street credit, to loans."* ***– Informant 15***
>
> *"Basically, low-income in strata 1, 2, 3, and very few 4; they are people with savings and credit needs. If they do not have these needs, we look for a way to demonstrate that they do have them, and they can use our products."* ***– Informant 12***

All informants mentioned open membership for women, youth, and Indigenous people, expressing that "anyone can join as a client," a sentiment reflected by Informant 3:

> *"The moment a child is born, he/she can become a member of the cooperative and can open a savings account with the consent of his/her legal representative."* ***– Informant 3***

This general openness, though, is not equivalent to having direct outreach programs aimed at increasing enrollment of diverse groups. Programs actively targeting specific subgroups are discussed below.

Programs targeting women and youth: Informants from all four financial institutions reported having some programs that were specifically targeted to women (informants 1, 2, 5, 6, 14, 16, and 17) and youth (informants 1, 9, 13, 14, and 16). Informants generally described these programs as savings-focused, although some programs also provide women or youth micro-entrepreneurs with additional financial services.

Some of the youth programs described by informants were innovative. The importance of financial education was a recurrent theme throughout the interviews.

> *"We created a program in which [youth] learned and knew the first rules of what inclusion was, what financial education was, and we told the children that they had to save. We created a doll and a play featuring a young girl and the doll, and they take that play to villages. We also use games like bingo, lucky ladder, and use of robotics classes in schools where they learn about the concept of earning money and thinking about a career."* ***– Informant 9***
>
> *"We reach [youth] with training in values, financial education, savings. At this moment there is a piggy bank program, where savings are being encouraged and we are strengthening leadership and youth initiative."* ***– Informant 2***

Programs targeting Indigenous groups: The informants work for institutions that focus on and include clients in rural areas, but they noted that there are rural areas that are geographically isolated and hard to access. Therefore, these remote populations, who are often Indigenous groups, are cut off from services. Informants acknowledged that services are lacking and more outreach to Indigenous groups is needed. The challenges around expanding products and services that meet the needs of different populations, such as those of Indigenous people, are linked to issues of social inclusion.

Informants discussed how barriers contribute to the general lack of knowledge by financial institutions on the norms and needs of Indigenous people (informant 3), and they indicated a need for financial institutions to adapt their processes and approaches to better meet their own definitions of inclusion.

> *"We have some service areas close… which [are] attended by an advisor who visits them, but they are not easily accessible and that is where we need to be present the most."* ***– Informant 1***
>
> *"… there is a lot of segregation; [Indigenous peoples] are in very remote places — to reach and access to them is not so easy. Visiting a client is not the same as visiting a client of a bank in the urban area, or in a capital of the country, to reach them up to the top of the mountain is complex."* ***– Informant 16***
>
> *"If we improve our presence in the territories, whether through commercial and financial advisors, business advisors, [or] market studies by the marketing area, we will really know what the real needs of the people are, and we will be able to design products very much in line with what they finally need in these territories."* ***– Informant 7***

Informants reported the difficulty of working in areas without technological connectivity and the need for more digital tools and digital literacy. Informants mentioned the need for more timely financial services, especially in remote areas. They explained that progress on digital technologies could help reduce approval and disbursement times for loans and help reach more areas and population segments (informants 8, 9, 12, 14, and 16):

> *"[It's] difficult documenting in areas without technological connectivity because many times, in these [distant] areas, there is no coverage, so I have no internet, I cannot validate documentation right away as I do with a person from the city. We must evolve also as an entity in contemplating other possibilities to guarantee this regulatory compliance."* ***– Informant 13***

Defining Social Inclusion

We asked informants, “*What does the term ‘social inclusion’ mean in the context of your institution’s goals or objectives?”* There was less agreement among informants on this term than on financial inclusion. Some informants noted that their institution has no formal definition, while others spoke about how it was an embedded objective for their institution or was at the core of what their institution does.

> *“No definition as such, but it is an exercise that we have been carrying out and it is that community development.”* ***– Informant 1***
>
> *“Implicitly we do not have to start with the definition of social inclusion, but we reach it indirectly. We do not put ‘social inclusion’ because it is nice in the slogan, it is because it is our objective, it is the essence for that inclusion to arrive through various mechanisms.”* ***– Informant 5***

Informants’ answers on the definition of social inclusion were different. Still, two themes arose: social inclusion involves treating all potential clients equally, and it also means working in the client’s best interest.

> *“[Social Inclusion is] to be able to have a uniform treatment … that regardless of the type of formalization, regardless even of patrimonial and liquidity issues, we can provide people a product that suits them; and that regardless of creed or political position, our product is the same.”*
> ***– Informant 6***
>
> *“For us, it is to contribute to the social and economic development of the populations where we work. The human being is an integral being, that is to say, he has a family part, a social part, an educational part, a financial part; social inclusion has to do with touching that being from within to enhance his skills, his competencies, his learning, his knowledge in order to improve his life and the lives of the people around him, initially his family and the community where he develops.”* ***– Informant 8***
>
> *“Social inclusion is telling that person I am not only thinking about you, but I am also thinking about you having the same opportunities as everyone else, that you have the same opportunities where[ever] you are.For me, that is what all our work is about.”* ***– Informant 9***

Informants discussed challenges to social inclusion and recognized that to improve social inclusion, they must acknowledge the effects of past conflict in Colombia, recognize existing stereotypes and biases, and meaningfully engage with excluded communities.

> *"It is not the same for a young person with a disability to come up with a business venture proposal. There is a stereotype where I will believe a healthy young person more than a person with a disability, or I believe an urban micro-entrepreneur more than a rural one. I believe in an academic more than an Indigenous person. We still have stigmatization."*
> ***– Informant 2***
>
> *"I could have all the awards, but if I do not listen to the community, there is nothing."* ***– Informant 3***
>
> *"We must continue working. We cannot remain in the past, in resentment, in pain. Not all people assimilate it in the same way. It has been very complex, but we must heal hearts to start working."* ***– Informant 1***

Informants discussed a great need for education and for integrating the concept of social inclusion to normalize it across their organization. It was also noted that by listening to communities and connecting with communities, financial institutions could integrate and normalize social inclusion more broadly. The findings show that informants place value on building and maintaining relationships between the institution and their clients, and subsequently, the financial institution plays an integral role within a community when personal ties are prioritized over a strictly transactional financial relationship.

> *"If we have education, we open many paradigms, we break down walls and barriers that we may encounter in our community social development exercise. The truth is that education is one of the pillars that we need, not only in formal education but also in soft skills that we require. In some sectors with social needs, we find some areas where we must make a greater presence, investment, and greater management."*
> ***– Informant 1***
>
> *"The challenge is how, as an organization, we can overcome and appropriate the concept and manage to see it as something normal, not as something extraordinary, because many times inclusion itself ends up being exclusion — 'oh, look, here comes the gentleman, the little black*

> *guy, the Indigenous person has arrived' — and it's like a novelty and not something normal within the line of business."* **– Informant 12**

Informants want to deeply know and understand their clients. Informants spoke about clients in terms of their livelihoods and role within their families. Informants reported that financial institutions aim to support their clients' needs and help clients reach their goals. Informants considered this to be part of their institutional culture and an important criterion for their financial institution to achieve inclusion (informants 4, 5, 9, 11, 14, and 15).

> *"We are interested in the human being; we are interested in that person we have there. We are interested in knowing them, in looking at them, in talking to them, in reaching them, in making that credit, that savings, and that linkage, it has many more benefits, and [we] attend [to] that person as it should be."* **– Informant 9**
>
> *"We can surely strengthen [inclusion] by getting to know our associates much better and getting closer to them."* **– Informant 11**

Findings: Measuring Performance and Financial and Social Inclusion

Performance Metrics

Interviewers asked informants about metrics their financial institutions use to measure and track their institutional performance, and they provided a wide range of financially related metrics, such as amount of credit, savings and deposits made, and number of clients (client growth). They also mentioned nonfinancial metrics, such as participation in education programs and other social metrics (Table 3).

Table 3. Performance metrics used by financial institutions*

Performance Metrics	Mentions by Number of Informants
Financial Indicators	
Portfolio indicators (delinquencies, rating, write-offs, recoveries)	10

Number of clients and client growth	9
Amount of credit (total or average credit lines)	6
Number of people with financial products	4
Number of people with credit	4
Number of loans made	3
Savings and deposits made	3
Surplus or increase in surplus	3
Financial margin	2
Operating margin	2
Number of first-time clients	2
Response times/time efficiencies	2
Amount of insurance sold	1
Coverage and region growth	1
Nonfinancial Indicators	
Participation in education and social programs**	5
Usability and client satisfaction levels	4
Probability of Poverty Index (PPI)***	3
Degree of client development	1

*This table shows the number of informants that mentioned each of the above performance metrics when asked, *"What kind of data or metrics does your organization collect to determine how well it is performing?"*

**At least one financial institution uses a Social Balance Sheet, a tool used to identify opportunities for improvement in different areas, such as communications around savings and credit, associate involvement, and social programs.

***One financial institution runs a PPI survey to determine and track changes in socioeconomic status among all clients who received loans.

Financial institutions use disaggregation to look at client and participant information by group, such as women, youth, or geography (Table 4). Disaggregation helps financial institutions evaluate their performance in serving different client groups.

Table 4. Disaggregations used by financial institutions (n=17)*

Disaggregation	Mentions by Number of Informants	Number of Institutions Represented (%)
Women	13	4 (100%)
Youth/age	12	4 (100%)
Geographic (e.g., rural/urban and/or municipality)	8	4 (100%)
Indigenous/Ethnicity	2	2 (50%)
Economic (level of poverty)	1	1 (25%)

*A lack of mention of a specific disaggregation does not equate to a lack of use of that disaggregation by an informant and/or their institution. Since responses were open-ended qualitative discussions, the specific disaggregation and frequencies that inform this table were based on the frequency of mentions of different disaggregation in the written transcripts.

Inclusion Metrics

Overall, 70.6 percent of the informants (12 of 17, representing all four financial institutions) reported that their financial institutions measure and track both financial and social inclusion. Three informants (3, 4, and 15) were unsure if their financial institutions did so. Two informants, each from a different financial institution, said that their institution lacks a social inclusion measurement.

A deeper analysis shows that financial institutions measure and track inclusion with different metrics. All four financial institutions use existing financial inclusion metrics to track client activity or participation in the financial system (sometimes with specific disaggregation) and to track how lives are changed or improved (Table 5).

Table 5. Metrics used to track financial inclusion, as locally defined*

Financial Inclusion Metrics Used	Mentions by Number of Informants (n=17)	Number of Institutions Represented (%)
Formal participation in the financial system		
Number of clients by type of product	6	4 (100%)
Number of clients participating in education programs	12	4 (100%)
Number of clients participating in social programs	4	3 (75%)
Number of social or education programs reaching communities	6	4 (100%)
Improvement in lives as a result		
Descriptive: “client journeys” and feedback	4	3 (75%)
Knowledge gained from education	2	1 (25%)
Poverty indices and changes in income	1	2 (50%)
Reductions in unemployment	1	1 (25%)
Educational discounts/support for higher education	2	2 (50%)
Participation in public policy or leadership	1	1 (25%)

*Responses were open-ended qualitative discussions and informants represented different occupations within their financial institution. The authors assigned the metrics to their respective categories within this table (formal participation and improvement in lives) since those categories were only determined after analysis of the interview transcripts. The representative financial institutions might use additional metrics to track financial inclusion not mentioned by the informants during the interviews.

Social inclusion metrics were more difficult to determine. Among those who said their institutions track social inclusion measurements, the most common metrics reported were analysis of their social program data (three financial institutions) and assessment using a Social Balance Sheet (three financial institutions).

Additionally, at least three financial institutions report on the number of clients by product type, and at least two track clients’ access to and amount of credit. The Social Balance Sheet, according to informants, is a tool that “measures the free and voluntary participation of the associates of a solidarity organization, how it should impact the levels of activity.” The Social

Balance Sheet serves as a complement to the [financial] numbers and is reported annually by one of the financial institutions to "quantify all the support and aid that our associates receive, non-monetary, such as rate reductions. While in the bank, the rate is 35, we have it at 29, so that difference in rate is one of the benefits that we measure quantitatively." The Social Balance Sheet collects indicators, including what kind of courses or education is provided, what kind of populations have been served, and the needs of target groups, such as youth, to develop and target specific financial products and services.

When asked whether the data they collected to measure and track inclusion was useful, eight informants reported that all information was useful, but nine informants gave more nuanced answers.[1] There were some metrics that financial institutions do not currently have or use but are desired: for example, informant 7 noted, "How many jobs are created behind a loan? We do not measure that, but we believe that is important." Informants also provided examples of how data quality could be improved, or how to include more information in the database to permit deeper analysis. Another main challenge noted by informants was around comparability (Table 6).

> *"I always say that we have to measure our [observed] trends with what is happening outside our institution; we cannot only reference our own clients' data, but also what others are experiencing, and the idea is to compare it."* ***– Informant 4***

Table 6. Missing and needed metrics and information

Metrics and Information	Mentions by Number of Informants (n=17)	Number of Institutions Represented (%)
More in-depth analyses	6	4 (100%)
Changes from use of financial products	5	3 (75%)
Employment generated by loans	1	1 (25%)
Clients' use of more products over time	1	1 (25%)
Clients' income versus sales	1	1 (25%)
Social and financial integration and inclusion	5	4 (100%)

[1] Two informants admitted that certain data they collected was not particularly useful and not needed. One informant mentioned consumption data — what items a client spends money on — was not very useful because, *"it neither adds nor subtracts."* Another informant warned that, *"data has that danger; you get a lot of data and then you say, 'what was the use of it?'"*

Comparability with nonclient population	4	3 (75%)
Better understanding of community needs	3	2 (50%)
Clients’ priorities to improve quality of life	2	2 (50%)
Talk with communities	2	1 (25%)
Satisfaction data	1	1 (25%)
Impact on communities	2	1 (25%)
Satisfaction data	1	1 (25%)
Whether financial institution is first entity client has engaged	1	1 (25%)

Informants reported that their financial institutions need to collect and review complex data to effectively measure and track financial and social inclusion: They want a “deeper” understanding about how their financial institutions are impacting their clients and the communities they serve. The kinds of in-depth information and analyses needed are those that, as informant 11 explained, *“allow us to have more identified information on the associates — of course, we have age, economic activity, mail, telephone — but having more specific data that allow us to know our associates much better, to get closer to them, that would allow us at the end of the fiscal year to have an indicator or key information that would allow us to reach the associate in a different way.”*

> *“We do not have a measurement of impact on the community, as in, a number that says, 'today we have such an impact.’ We have information on participation, but in terms of social development and performance, it is rare that entities measure it, and each has its own way of measuring it, and I do not know of a standard indicator.”* ***– Informant 17***

Five informants reported they want to track changes in their clients' lives because they accessed their financial products and services over time: for example, *“a tool that would make it possible to determine if a person started with savings in such and such, now he/she is on credit and the traceability of the services. That would make it possible to go deeper into how clients are [using financial products and services.”* ***– Informant 2***

Five informants reported needing metrics for social and financial inclusion and noted the complexity of its measurement, and the time and effort required to collect the needed data.

> *"We have financial inclusion metrics, but social inclusion is something very complex. For me, it is complex because its measurement is not easy. That traceability, that thread that is formed over time, is done but I would like to have the methodology for that social impact metric because we must improve a lot in that area."* ***– Informant 14***

Assessing Financial Inclusion with Descriptive Information

Throughout the interviews, informants gave examples of how following their clients throughout their financial journeys had value in demonstrating their positive impacts. The concept of these "client journeys" aligns well with how informants are defining financial inclusion, since they emphasize changing lives.

> *"For how we measure, I will give you an example: a rural woman, how she began her participation in the social development programs, even just dedicated to her plot, how with the courses and the accompaniment she developed her own business within the plot, how her income improved and how her position in the household changed. We analyze this cycle of how she started and how after some time she has her own income, how she contributes with her income or sends her son to such and such a thing, and how her empowerment changes."* ***– Informant 14***

Informants reported that qualitative data helps them achieve the deeper level of insight they want to attain, but they still have challenges because their quantitative and qualitative data are not linked.

> *"We have qualitative indicators, such as what did participation in each project mean for that person, what learning they take away, what they will improve, or what practices they will change… but … I wish we had an integrated balance of financial and non-financial [information] that would provide us with impact figures."* ***– Informant 8***
>
> *"We would have to review how to combine the data we have to really generate a value to measure inclusion."* ***– Informant 15***

Linking Inclusion with Performance

Informants reported that inclusion efforts are linked to positive improvement in financial institution performance (Table 7). Informants described how the process of inclusion enables them to engage in outreach to new geographic areas and communities to provide new clients with products and services, thereby allowing the financial institution to continue to grow. Informants stated the importance of social and education programs that increase the financial knowledge and participation of potential clients, which in turn increase the financial institution's coverage within a community (informants 1, 5, 6, and 8).

Table 7. Beliefs on whether inclusion affects financial institution performance

Responses to the question: ***Based on your experience, how does financial and social inclusion affect the performance of your financial institution?***	**Mentions by Number of Informants**	**Number of Institutions Represented (%)**
Clear positive impact	11	4 (100%)
Has an impact, but unsure to what extent	5	4 (100%)
Unsure/unclear answer	1	1 (25%)
No impact	0	0 (0%)

> *"Financial inclusion affects us in a positive way, it is an opportunity for us as an entity born to serve by offering savings and credit services … to grow in clients, deposits, portfolio, credit placements, and reach the objective of serving the community. I see no negative impact. Social inclusion gives us the opportunity to reach diverse people."*
> ***– Informant 10***
>
> *"One project I have in mind is one with both social and economic components, that has brought us more credit, new clients who were not on our radar previously, to increase their contributions, their credits, their savings, and today we have 1,100 people or more that add to the indicator. If this project had not existed, this project would not add to those financial goals. I think that in the end, the projects bring very favorable [results]. In our case, our social base has changed because this project has brought [over 500] new savers and credits."* ***– Informant 5***

Informants who were not sure whether inclusion has an impact on financial institution performance still noted the importance of inclusion in terms of improving positive social impact.

> *"Although this is not [performance], we have had cases where youth clients started with a small credit, and over time they have financed their university career, and at the end when they say, 'look, thanks to [the financial institution], I was able to finish, and I am now a professional.' We have clients who say, 'I started saving, and that's how I gave education to my children, I got my house, my business.' It is satisfying when you see that social impact."* ***– Informant 13***

Discussion

Financial and Social Inclusion Must be Defined Locally

The financial institutions included in this study are among hundreds of financial cooperatives providing services across Colombia that form the essential backbone of the local private sector and are the primary organizational touchpoints for a large segment of Colombia's rural population engaging in economic activities. This study provides an understanding of how select financial institutions identify and define the complex terms of financial and social inclusion, directly derived from financial institution informants themselves. This study also shows the importance of contextualizing donor definitions of financial and social inclusion to the realities experienced by local institutions operating in uniquely varying contexts. We conclude that both terms, financial and social inclusion, need to be locally defined based on the country and institutional context, and should inform development practitioners and program designs.

In this study, when speaking about financial inclusion, informants agreed on what it meant to them and their institution. Several informants spoke of financial inclusion as being part of "their DNA" (informants 5, 9, and 16) and integral to their mission (informant 13). Informants defined financial inclusion as formal participation in the financial system, emphasizing bringing in new clients who did not have previous opportunities to participate in the financial system. They also stressed that entry points to the financial system include both financial products and financial education services. Informants also included participation in the definition of financial inclusion, as participation in the financial system provides clients with real opportunities to improve their lives.

The informants in this study represent financial institutions that focus on reaching individuals living in areas assigned to the lowest-income strata in Colombia. Centering their definition of financial inclusion around access aligns with those of others (Gortsos, 2016; Federico et al., 2021; Abifarin & Bello, 2015). The idea of improving lives brings in a more multidimensional concept of financial inclusion is in line with others who emphasize the importance of effectively using those products or services (Lederle, 2009). In this study, we found that the local definition of financial inclusion, as defined by these financial institutions, aligns with that of USAID, but in the case of social inclusion, they did not. Listening to local partners' definitions of inclusion, their inclusion goals, and understanding their inclusion metrics will therefore be important at the start of program co-design.

Informants in this study felt that providing education in addition to financial products was an important part of the definition of financial inclusion. Informants also made connections between the education of the client and their own need to understand clients' true needs. Informants prioritize listening because it helps financial institutions and their agents break through old stereotypes and paradigms to understand their clients' needs. Informants added that having financial and social inclusion defined and embedded as a core institutional value is an important foundation for achieving these aims.

Social inclusion was more challenging for informants to define, but there was general agreement that it involved treating all potential clients equally and working in the client's best interest. In the private sector, a major focus of social inclusion has been on women's empowerment and gender equality (Markel & Strub, 2021). While all financial institutions in this study have programs aimed at reaching women specifically, when discussing their definition of social inclusion, informants did not identify the empowerment of women or other specific marginalized groups as a key element of their definition. Rather, informants spoke about clients as community members and part of the family unit. It's unclear why informants spoke about inclusion in terms of societal structures (community, family) as opposed to consideration of identity (ethnicity, sex) or whether they perceive income strata as a more prominent exclusionary identity than any other identity. These are areas that warrant further investigation and understanding, especially considering that USAID's definition of "underserved groups" is more often defined by personal attributes other than income level.

Establish the Business Case to Operationalize Definitions of Financial and Social Inclusion

Informants in this study provided their personal perspectives that inclusion makes a positive impact (11 of 17 informants) and that inclusion activities provide opportunities for financial institutions to continue growing. Deeper analyses are warranted for a study that can, at a minimum, identify and/or verify the performance improvements that are positively associated with inclusion efforts.

A body of evidence supporting a business case for investing in inclusion exists, but evidence from developing countries is limited. Most of this evidence focuses on women and/or larger firms. Recently, MarketShare Associates prepared, on behalf of USAID, a new Women-Inclusive Return on Investment Framework for the international development sector (2022). The USAID/Colombia RFI project tracked several indicators relevant to financial institution capacity, including changes in the U.S. dollar value of financial services offered and the number and gender of clients, but did not associate linkages in financial growth with increased inclusion efforts.

Understand the Root Causes of Social Exclusion to Design Programs, Services, or Products to Meet Client Needs

This study shows that financial and social inclusion are intrinsically linked. Social exclusion is linked with poverty, economic participation, and an increased likelihood of being denied access to income, assets, and services (DFID, 2005, Mirzoev et al., 2021). Informants acknowledged that financial institutions need to improve outreach to certain populations, especially Indigenous groups, and although they mentioned geographic barriers to reaching these communities, they also acknowledged longstanding issues of exclusion due to cultural biases and past conflicts. The root causes of social exclusion, therefore, will vary by context.

Informants discussed the importance of reaching excluded communities and listening to clients' real needs, but also the fact that in-depth information on clients and their journeys through the financial system is often missing from their metrics. Qualitative data-collection approaches, such as "client journeys" and client feedback collected through interviews and meetings, could help obtain this kind of information while reinforcing relationship-building between financial institutions and the communities they seek to serve. International development implementers could co-develop monitoring and evaluation plans with local institutions that align with local interests and needs, for example, by using approaches such as outcome harvesting or most significant change.

In this study, financial inclusion refers to participation in the financial system by clients and provides real opportunities to improve their lives. Informants noted that they believe that when quality of life improves, additional benefits emerge, such as increased participation in public policy or leadership (informant 8), gender equity, and increased school enrollment (informants 4 and 8). Financial institutions need to track how the quality of life is improving among those who participate in the financial system.

Informants (at least three of the four financial institutions in this study) use descriptive data to track financial inclusion. Informants told life stories about individual clients, mentioning how they provided their first entry into the financial system through education or financial products and services. They then observed how their lives changed over time, with growth in savings for education or increased ability to weather shocks and stressors or to grow their business and increase income. They spoke of small incremental changes to poverty levels and quality of life.

> *"In the end, if we were to be measured by something, it is by their living testimony."* ***– Informant 5***

These "client journeys" provide important feedback loops and describe pathways of change among financial institution clients as they understand initial financial service or product needs, receive education, and gain formal participation into the financial system — perhaps something as simple as opening a savings account or receiving a small microloan. Financial service needs evolve, client participation in the financial system grows, and changes in people's lives emerge. Perhaps a client receives a business loan to start a business or uses savings to finance higher education. One informant told a story about a woman who raised chickens, and at first could not use a cell phone, but now makes electronic transactions daily for her business. This kind of data collection has power, and it resonates with informants and gives their work meaning.

Establish Indicators for Measuring Success that Align with Local Definitions

Financial institutions measure and track financial inclusion with various metrics that mostly track participation in the financial system. Metrics vary by financial institution as a combination of metrics, as opposed to any one accepted metric or index.

Financial institutions can more readily track financial inclusion than social inclusion, possibly because of clearer definitions. Most reported metrics for tracking social inclusion are related to how financial institutions might measure their impact on the community. Examples of metrics given by informants included participation in different groups in different programs, participation in public policy or leadership, the PPI, and the Social Balance Sheet.

The difficulty financial institutions experience in measuring and tracking social inclusion may be because of a need to better understand what they mean by social inclusion and how to link metrics with their own definition. If financial institutions could officially define social inclusion for themselves and communicate that definition across their staff and geographic areas of reach, it may enable them to subsequently apply appropriate metrics that allow them to track it more effectively. All four of the financial institutions in this study participated in the RFI project implemented by Chemonics, but RFI did not develop any formal measurement process for social inclusion and did not define it within the project's monitoring and evaluation plans. Based on these interviews, financial institutions are interested in determining and evaluating their results on social inclusion, but measuring and tracking it appears to be challenging without a systematic approach. Based on their expressed desire, development actors could support financial institution s to define and measure social inclusion more effectively.

Besides local definitions and metrics for social inclusion, financial institutions need appropriate comparison statistics to set realistic targets and compare progress across different target groups.

> *"We have a lot to do, we must start comparing ourselves with the country, compare our [performance] against something. How do I measure our portfolio indicator against [others] in the country?"* ***– Informant 7***

Recommendations for Implementers

USAID's newly launched Policy Framework: Driving Progress Beyond Programs (USAID, 2023) shows their commitment to shifting more leadership for priority-setting, project design, implementation, and measuring results to the people and institutions with the capabilities and credibility to drive change in their own countries and communities. Financial and social inclusion are context-specific and therefore must be defined locally. The depth and breadth by which international development project implementers measure inclusion should be determined by the local partners connecting directly with the population. Financial institutions should be clear regarding the specific populations for whom they aim to increase inclusion. When there is a small, targeted population to address, such as Indigenous people, reach is not only geographical but also related to social inclusion issues.

Implementers will be effective in working with financial institutions as facilitators and capacity builders and should consider integrating deeper descriptive data approaches into project monitoring and evaluation plans and learning agendas at the design stage and/or beginning of their programs. Programs can support financial institutions to define terms (where definitions are absent but desired) and align metrics, capture in-depth qualitative stories, and replicate and scale the use of those qualitative data for tracking progress. One of the most powerful approaches that informants use for assessing financial inclusion is collecting information on "client journeys." Informants state there is value in statistics, but there is also a need to collect descriptive data that tells the clients' stories. This approach to tracking inclusion may increase partner interest and buy-in and will help improve working with excluded groups so that financial institutions better understand their specific needs and can develop financial products and services to meet them.

For example, the USAID/Colombia RFI project incorporated mechanisms for improving data collection. Consistent with USAID's Local Capacity Strengthening Policy that emphasizes engagement with local partners to identify and develop together performance monitoring and measurement plans, the first step was to socialize project indicators with the financial institutions and conduct training so that financial institutions knew how to calculate, verify, and periodically evaluate the data. RFI also developed internal storytelling with their financial partners for training customers and employees and shared some of them with USAID. The stories promoted how financial services changed their lives and what benefits they obtained.

Conclusion

The definitions of inclusion in this study are based on the perspectives of 17 financial institutions' key informants in Colombia who are working to bring financial services to people who previously did not have access to them. These definitions, contributing factors, and metrics will vary by partner and local context. USAID and other funders expect more inclusive programming from implementing partners. This study shows that inclusive programming must go beyond standard donor indicators tracking the number of women, youth, or other targeted groups who participate or benefit from a program. Development practitioners need to seek out and understand localized definitions of inclusion, facilitate local partner definitions where they are absent yet desired, co-design programming in alignment with those definitions, and develop and track specific metrics aligned with those definitions to assess inclusive development over time.

CONTACT

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