

# Responsible Banking and Inclusive Growth



*Katie Hoffmann, SPTF  
National Institute for Banking & Finance  
Islamabad, Pakistan  
22 August 2016*

Inclusive growth is good...

...but not at any cost.

**Responsible inclusive finance:** the provision of financial services in a way that protects the interests of clients and protects the mission and sustainability of the institution.

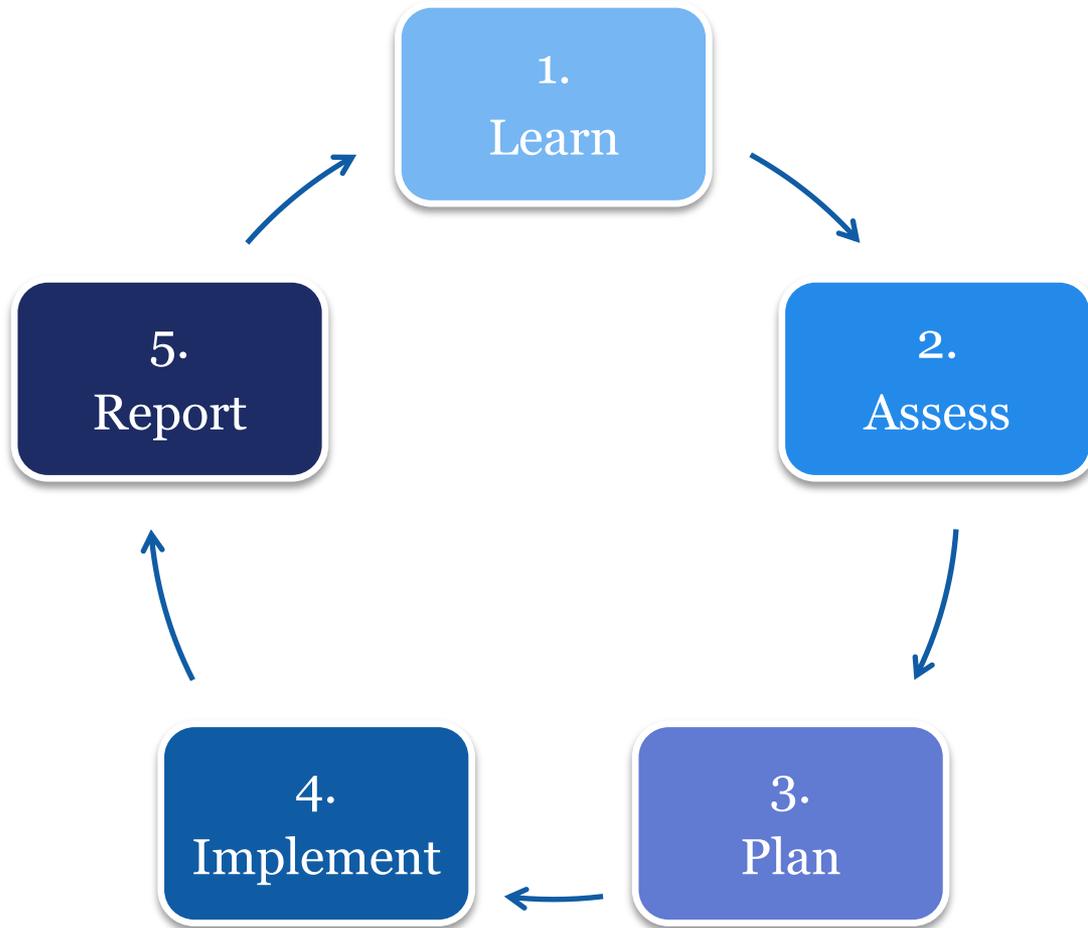
# Risks of poor responsible inclusive finance

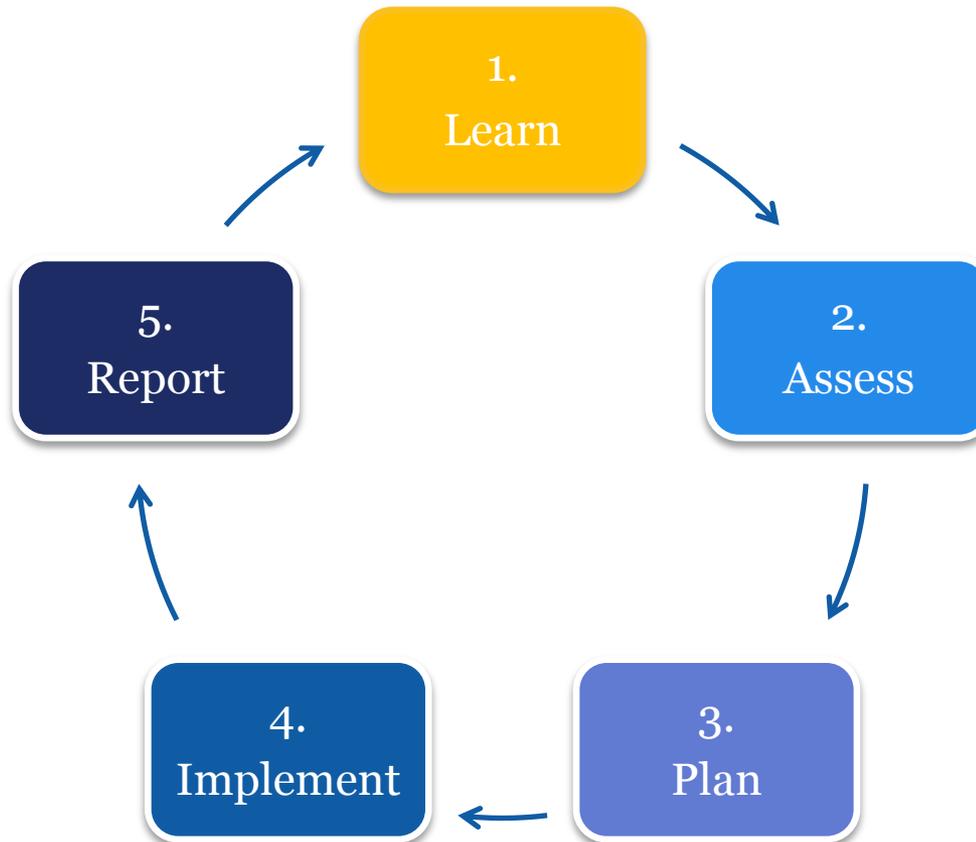
- Harming clients
- Bad reputation
- Trouble increasing client outreach
- Products that do not meet clients' needs

# Potential benefits of strong responsible inclusive finance

- Higher client retention
- Fewer loan defaults
- Improved reputation
- Better data for decision making
- Improved client outcomes

# A pathway to better practice





# What is the Social Performance Task Force?

In 2005, CGAP, the Ford Foundation and the Argidius Foundation brought together leaders from various social performance initiatives in the inclusive finance industry to come to agreement on a common responsible inclusive finance framework and to develop an action plan to move responsible inclusive finance forward.

Today, the task force consists of more than 2,200 members, including:

- Practitioners
- Donors and investors (multilateral, bilateral and private)
- Global, regional and national networks
- TA providers
- Regulators

These stakeholders work together as the task force to develop the **Universal Standards for Social Performance Management (USSPM)**.

# What are the Universal Standards?

The Universal Standards bring together ALL of the best practices for responsible inclusive finance in ONE comprehensive manual—to clarify and standardize best practices.





Comprehensive  
manual of good  
practices



By and for  
people in the  
field



Credibility for  
institutions and  
industry



Realistic  
implementation  
process

There are 19 standards, organized into six dimensions.

They incorporate learning from many initiatives in our sector.



# How is client protection integrated in the Universal Standards?



**30 client protection standards**



Dimension 1: 0



Dimension 2: **3** standards



Dimension 3: **3** standards



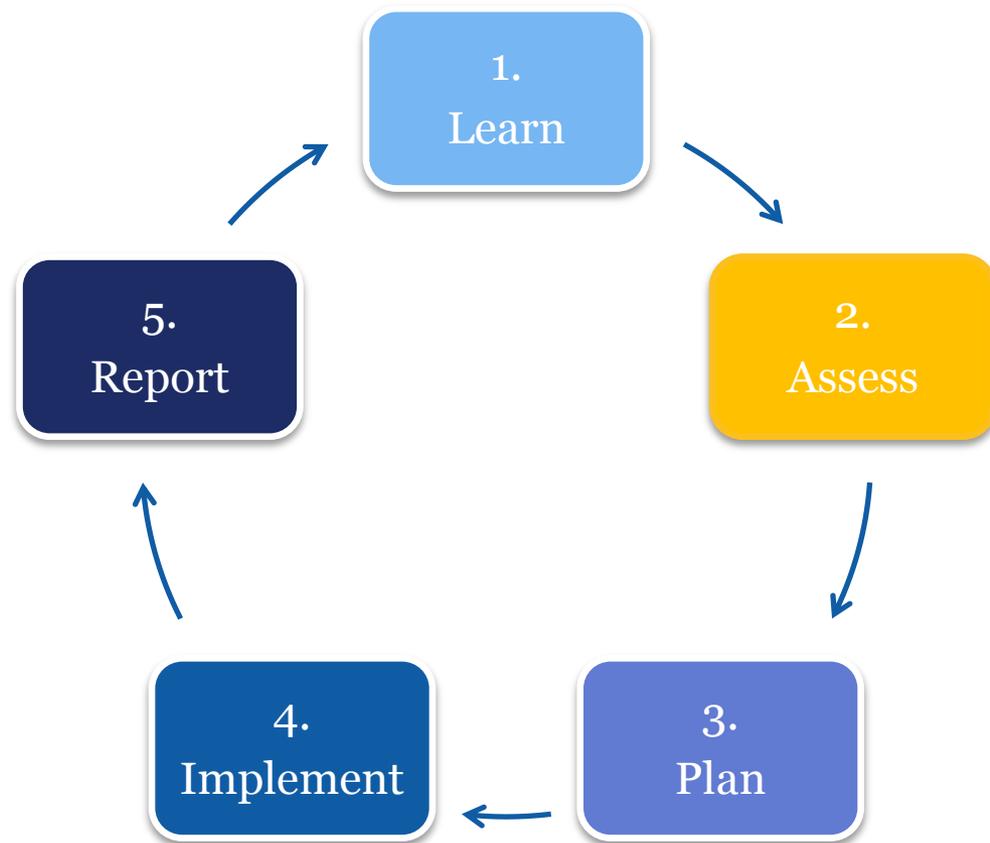
Dimension 4: **21** standards



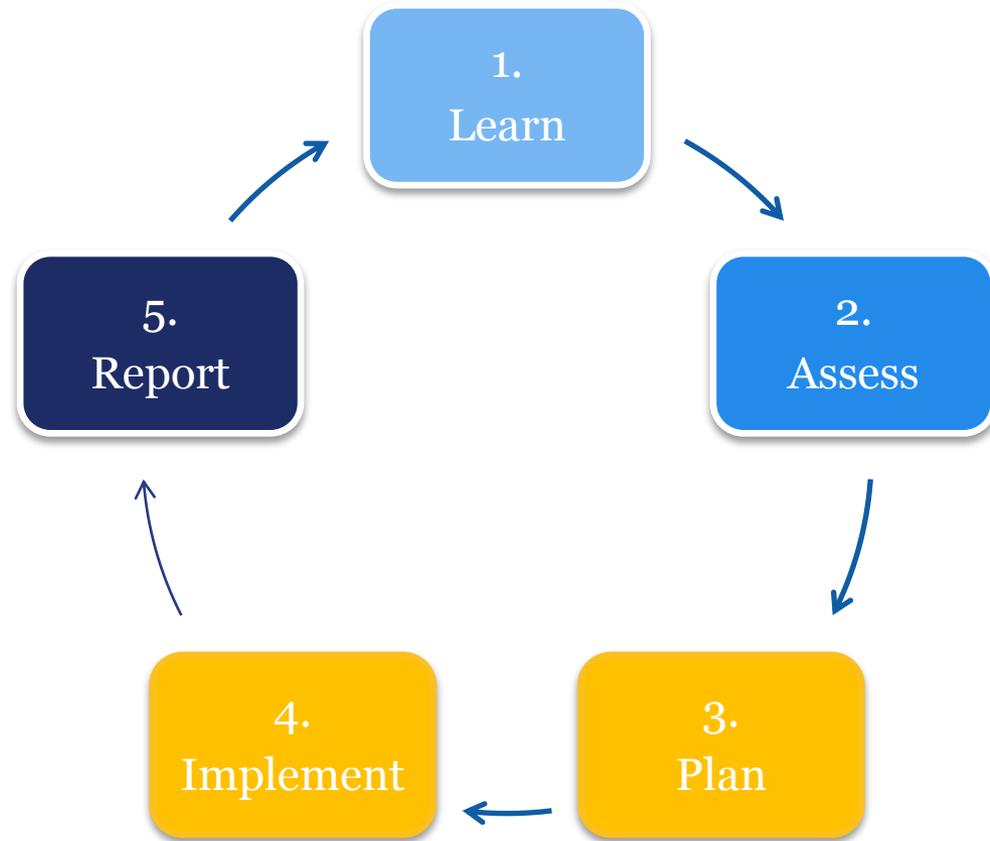
Dimension 5: 0

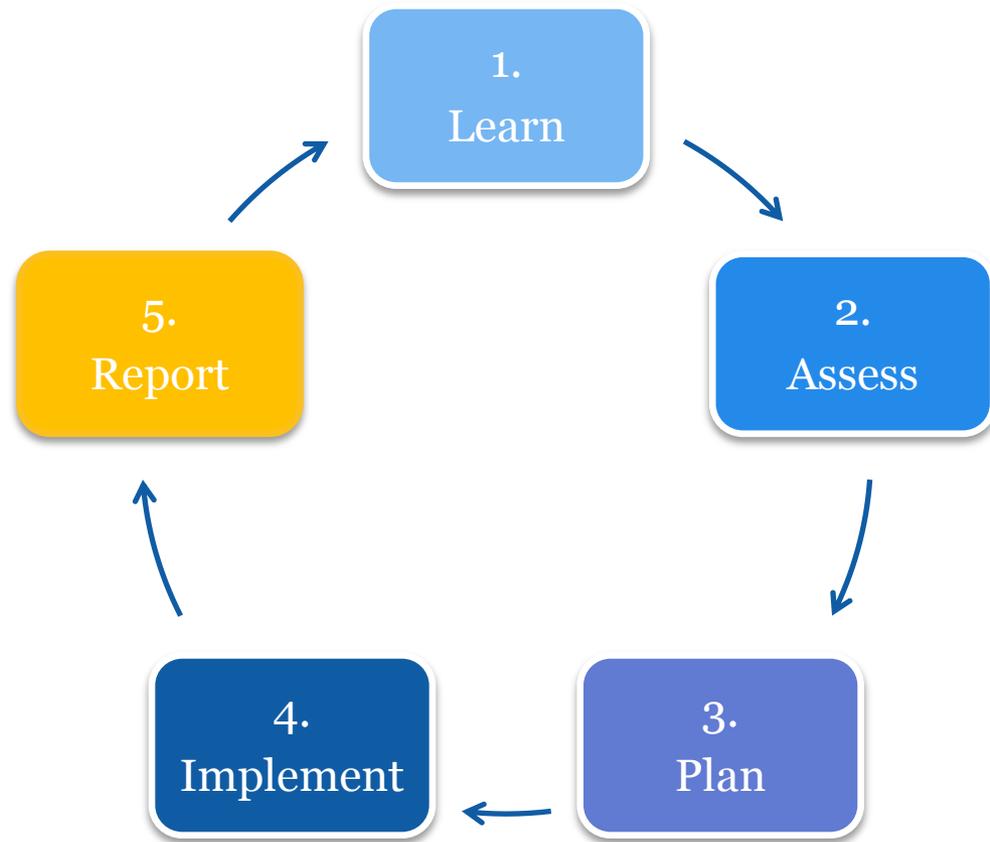


Dimension 6: **3** standards









# Institutional examples

- Understanding clients' needs and preferences
- Improving privacy of client data
- Internal transformation

# Understanding clients' needs and preferences: *BBVA Bancomer (Mexico)*

- Gather data on underbanked clients through loan appraisal and through SMS messages with customers
- Use the data to assess client needs and preferences
- Create and test new products in the market that better meet clients' needs

# Improving data privacy: *SKS and Equitas (India)*

- SKS
  - Written policy on sharing client data with third parties
  - Contracts with service providers cover client confidentiality
  - Does not share data with anyone except regulatory authorities, credit bureaus, self-regulatory organizations, courts and government agencies
- Equitas
  - Client data stored on secure software system
  - Only certain staff have access to the data
  - Staff are trained on using the software system

# Internal transformation: *Bank of Palestine*

- Set a target to improve outreach to underbanked women
  - Held sensitivity training for staff
  - Increased female staff to 32% from 17%
- Set a target of serving persons with disabilities
  - Taught employees sign language
  - Made branches handicapped-accessible
  - Made sure at least 6% of staff was made up of people with disabilities.

# National example: *Nigeria*

- **Nigerian Sustainable Banking Principles**
  - Nine principles require signatories to integrate responsible inclusive finance issues into investment and lending decisions:
    - Environmental and social risk management
    - Governance
    - Transparency
    - Accountability
  - Signatories have set implementation schedules with deadlines.
  - Principles have been signed by a variety of financial service providers

# Q&A

**Thank you**