SOCIAL PERFORMANCE REPORT

ECLOF GEORGIA: JSC MICROFIN



SOCIAL PERFORMANCE MANAGEMENT AS A MEANS OF ATTAINING SOCIAL IMPACT

ECLOF attains social impact by targeting those in need and giving them access to financial and non-financial services that empower them and effect positive changes in their lives.

Impact evaluations attempt to demonstrate the outcomes of microfinance. They tend to be onerous and costly. Because rigorous research methods like randomized control trials usually track a rather short timeframe of 12-18 months, their findings are often questioned.

For obvious reasons it is difficult to clearly attribute improvements in clients' lives to a single (microfinance) intervention. Undertaken by researchers rather than practitioners, their results often are not used effectively to improve institutional performance.

Social performance management on the other hand focuses on those recognized management practices that can be expected to lead an institution toward positive social changes in the lives of their clients, whether these can be "proven" or not.

It is ECLOF's goal to accompany its clients as they graduate, i.e. they rise on the economic ladder from ultra-poor over poor to vulnerable and beyond.

Therefore, ECLOF monitors the poverty level of its clients' using tools like 60 decibels' Lean Data impact studies. With the collected data, it is possible to document how clients graduate over time. It also helps ECLOF to consistently target poor clients.



ECLOF INTERNATIONAL DEFINES SOCIAL PERFORMANCE AS THE EFFECTIVE TRANSLATION OF THE ECLOF MISSION INTO PRACTICE, IN LINE WITH ACCEPTED SOCIAL VALUES THAT RELATE TO:

- Reaching our target market.
- Delivering high-quality and appropriate services.
- Responding to the needs of clients, their families and communities.
- Protecting clients from negative effects of accessing financial services.
- Ensuring responsibility towards our employees, clients, the communities we serve and the environment.

THE SEVEN DIMENSIONS OF THE UNIVERSAL STANDARDS FOR SOCIAL AND ENVIRONMENTAL PERFORMANCE MANAGEMENT



Source: Cerise + SPTF

ECLOF International seeks to actively manage the social performance that its network delivers. ECLOF therefore has adopted the Universal Standards for Social and Environmental Performance Management ("Universal Standards"): a set of core management practices that constitute "strong" Social and Environmental Performance Management (SEPM). In applying the standards, ECLOF members hold themselves accountable to their social mission, facilitate greater social impact and can even boost their operational and financial performance over time.

As part of its strategy to be accountable and transparent in meeting its financial and social goals, ECLOF International conducts social audits of its network members, supports capacity building in the members and monitors the environmental and social performance of members through a social performance reporting framework. The framework applies 30 quantitative and qualitative metrics to measure the degree of success of network members in reaching ECLOF's social mission. This report is the result of applying the social performance reporting framework and social audit to JSC Microfin (ECLOF Georgia), a member of the ECLOF International network since 2024.

FACTS & FIGURES

JSC Microfin is a small, branchless microfinance institution operating a single head office in Tbilisi, delivering its services directly to clients across the capital without requiring them to visit an office. Microfin empowers micro and small entrepreneurs — especially women, young people, and vulnerable groups.
Its shareholders are JSC Constanta and Constanta Foundation, a non-commercial legal entity. Microfin is subject to non-banking supervision from the National Bank of Georgia. Since 2024, Microfin has been a member of the ECLOF network, which gives the company greater credibility and more opportunities for development.

Legal form	JSC (Joint Stock Company)
Year of foundation	2015
Number of clients	663
Loan portfolio	USD 1.4 million
Number of branches	1
Number of staff	12
Operational self-sufficiency	130%



MISSION & VALUES OF JSC MICROFIN



Microfin's full values statement: *"Our organization is guided by strong values that shape our daily operations and long-term strategy. We prioritize client protection, responsible lending, transparency, and ethical behavior. We are committed to financial inclusion, professional excellence, and continuous improvement, ensuring sustainable impact for our clients and communities."*

WHO DO WE REACH & EXCLUDE

INDICATOR	DATA POINT	COMMENT
Number of clients reached	663	Microfin serves more women clients than men
thereof women	371	
thereof men	292	
Number of people reached	**1,989**	Microfin work can have an exponential effect on the families and communities it serves. The average household size is 3
% of vulnerable clients	**5%** basic education or less **56%** women	Due to limited access to education and assets, women tend to be more vulnerable than men Microfin also serves women pensioners
% of vulnerable clients by local definition	≤ 5%	Only a minor share of clients are unlicensed, reflecting strong state control and monitoring of economic activity 20% of loans go to minority (non-Georgian) ethnicities, but all of them are citizens of Georgia
Average outstanding loan / Gross national income (GNI) per capita	19%	This proxy indicator applied across the whole portfolio indicates that a financial institution reaches poorer clients. MIX Market defines that loans up to 20% of GNI per capita are loans to the lowest income clients.
Poverty profile (PPI)	Medium	During Covid, Microfin found that clients' flat-out credit scores tended to make their credit profile look worse than it was in reality, so Microfin now assesses each loan individually rather than relying solely on credit-score cut-offs — "look at the person, not just the number."

Georgia is classified as an upper-middle-income country by the World Bank. Approximately 16–17% of Georgians were living below the national poverty line as of the most recent Geostat data. This reflects Georgia's continued economic transition: growth has been steady in recent years, but poverty remains concentrated among pensioners, rural households, and ethnic minority communities who face persistent barriers to formal employment and credit.

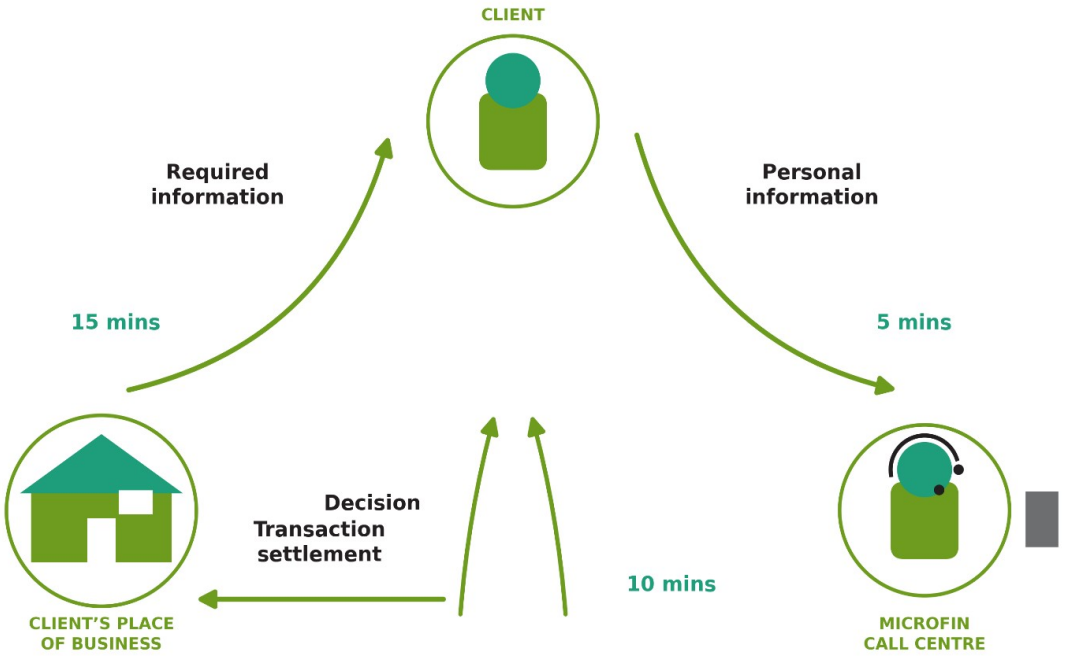
Poverty and exclusion from mainstream finance in Georgia are concentrated among specific groups. Pensioners whose state pension is insufficient to live on frequently have no access to loan funding, as banks and other institutions are reluctant to finance them. Ethnic minority communities, particularly Azerbaijani and Armenian populations, who are concentrated in certain regions of Georgia, can also face additional barriers to accessing mainstream financial services, including language and documentation obstacles.

Microfin intentionally serves these underserved groups. Women pensioners with no other loan options make up part of Microfin's client base, and approximately 20% of Microfin's loans go to non-Georgian ethnicities, mostly Azerbaijani and Armenian clients. 55% of Microfin's active clients are women and 25% are youth — groups that face higher barriers to formal employment and credit access. No more than 5% of clients are unlicensed businesses, reflecting strong state control and monitoring of economic activity in Georgia.

JSC Microfin, in partnership with its shareholder Constanta Foundation, implements social projects for its clients. Women and young people among Microfin's clientele are eligible for business trainings and consultancy, giving them a unique opportunity to enrich their knowledge and develop business skills.

THE BRANCHLESS MODEL

Microfin's strategy is built around a single distinguishing choice: no branches. Microfin offers clients its services directly — on site, without clients needing to visit offices and without unnecessary bureaucracy. All operations are coordinated centrally from Microfin's Tbilisi office.



The branchless model benefits clients as it is time-efficient, easily accessible and reduces transaction costs.



CUSTOMER EXPERIENCE

INDICATOR	DATA POINT	COMMENT
Client retention rate	**95%**	Most of the clients decided to take consecutive loans
Client satisfaction	**Nearly 100% positive response rate**	Microfin's call centre contacts each client to check satisfaction with the service

Microfin places clients at the centre of its strategic and operational decisions, with a strong focus on maintaining close relationships and regularly monitoring their experience. Two days after loan disbursement, Microfin's call centre contacts each client to assess their satisfaction with the service, with positive responses reported at nearly 100%.

This follow-up is complemented by Microfin's internal auditor, who visits each client at least once after loan disbursement and periodically thereafter. These interactions help Microfin maintain close contact with clients, monitor satisfaction, identify potential concerns at an early stage, and mitigate the risk of over-indebtedness.

Client retention is a proxy indicator of the quality and relevance of ECLOF's service to its clients. There is evidence that a stable long-term relationship with a finance provider can facilitate the graduation of poor clients to higher income levels.

Overall, Microfin's regular engagement with clients helps ensure that services remain responsive to their needs, strengthens long-term relationships, and contributes to consistently high levels of client satisfaction.



Digital Services for Greater Client Accessibility and Convenience

Microfin uses mobile technology and flexible solutions to bring financial services closer to its clients. By serving clients at their location and providing access to business credit, Microfin makes financing more convenient and accessible for microentrepreneurs. Flexible processes also help clients access financing more quickly, enabling them to respond to immediate business needs and emerging opportunities.

Microfin complements its services with personal support from credit experts. Clients can receive guidance throughout the loan process as well as relevant financial information and advice. This combination of digital lending entities and direct personal engagement helps ensure that technology simplifies access to finance without reducing the human connection between Microfin and its clients.

By combining technology with personalized support, Microfin aims to provide services that are accessible, responsive, and convenient, while maintaining close relationships with its clients. This approach contributes to greater client satisfaction and enables Microfin to respond more effectively to the evolving needs of microentrepreneurs.

Giorgi Navrozashvili, a Microfin client since 2021, jointly owns a small toy and children's transport shop with his wife. He highlights the value of Microfin's personal support alongside its financial services:

"I can always receive advice on financial matters from my credit expert. He supports me throughout the loan process and keeps me informed about tax-related updates, which is very important for my business."



CLIENT PROTECTION

INDICATOR	DATA POINT	COMMENT
Adherence to the client protection principles	**Yes**	The institution follows the client protection principles and integrates them into its policies, processes, and daily operations.
Number of complaints received	**No more than 5**	Clients can submit complaints to Microfin, including through its website. Complaints are monitored and reported monthly to the National Bank of Georgia.

Client protection—doing no harm to clients—is the foundation of and an integral part of social performance. There are 8 accepted client protection principles. They range from offering suitable products to prevent client over-indebtedness and protecting client data. Microfin has formal policies and procedures in place for all eight client protection principles, including Appropriate Product Design and Delivery Channels, Prevention of Over-Indebtedness, Transparency, Responsible Pricing, Mechanisms for Complaint Resolution, Fair and Respectful Treatment of Clients, Privacy of Client Data, and Governance and Human Resources.

Microfin provides clients with a formal mechanism to raise complaints, including through its website. Complaints are monitored and a report on client complaints is submitted monthly to the National Bank of Georgia. The volume of complaints has remained very low, with no more than five complaints recorded during 2025.This mechanism provides an important channel for clients to raise concerns and enables Microfin to monitor issues that may affect their experience.

Appropriate Product Design and Delivery Channels

Microfin has policies and procedures in place to ensure that products and delivery channels are designed to meet clients' needs and circumstances, with particular attention to accessibility, suitability, and minimizing potential risks or harm.

Prevention of Over-Indebtedness

To protect clients from over-indebtedness, Microfin assesses clients' solvency, repayment capacity, and existing debt obligations before making a lending decision, ensuring that credit is provided responsibly and does not place an excessive financial burden on borrowers.

Transparency

Microfin maintains transparency with clients, employees, regulators, and other stakeholders. The institution communicates product terms and conditions clearly and ensures responsible lending through appropriate assessment of clients' financial capacity.

Responsible Pricing

Pricing, interest rates, and fees are set at levels that balance client affordability with the institution's financial sustainability, ensuring that financial services remain accessible while supporting the long-term viability of the organization.

Mechanisms for Complaint Resolution

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Fair and Respectful Treatment

Microfin has also strengthened its institutional framework through the introduction of a Prevention of Sexual Exploitation and Abuse (PSEA) Policy. Newly hired staff are required to acknowledge the policy and receive information on it as part of their induction. The policy has been communicated to employees and is available internally alongside other organizational policies. Contact details for reporting incidents are included in the PSEA Policy. Clients can also raise complaints directly with Microfin or through the National Bank. Microfin reports that it continuously monitors the availability and implementation of the PSEA Policy for both existing and new employees.

Client Data Protection

Microfin has documented Conditions for Processing Personal Data, providing an institutional framework for the processing and protection of clients' personal information. Clients' personal and financial data are collected, stored, processed, and shared responsibly, with appropriate safeguards in place to ensure confidentiality and data security.

Governance and Human Resources

Client protection is embedded within Microfin's governance framework, institutional policies, staff practices, training programmes, incentives, and decision-making processes. The Board, management, and employees share responsibility for ensuring that client protection principles are effectively implemented throughout the organization.



Source: Cerise + SPTF



RESPONSIBILITY TO STAFF

INDICATOR	DATA POINT	COMMENT
Staff turnover rate	**0%**	There is very little staff fluctuation in Microfin's small team.
Staff satisfaction survey process established	**Yes, Informal**	Given the small size of the entity, this is done informally by management rather than through a structured survey.
Staff exit interview process established	**Yes, Informal**	Management informally interviews each resigning staff member about their reasons for departure.
Share of women in	**Board: 25%** **Staff: 55%** **Management: 50%**	Women take responsibility in positions across the institution
% of staff benefiting from training	**100%**	Microfin trains its staff to stay up to date on the latest regulatory changes; each staff member participates in at least one training per year.

In microfinance, employees are an organization's main asset. They have rights, and if treated well they are more likely to treat clients responsibly. Treating staff well also improves service quality and sustainability because more satisfied staff treat clients better; and well-treated clients are loyal to the institution.

Treating staff well also improves service quality and sustainability, as satisfied employees provide better customer service, while well-treated clients remain loyal to the institution. Microfin employees receive a decent living wage and are motivated through an incentive scheme that rewards both portfolio growth and quality. The company provides its staff with a comprehensive health insurance package. Furthermore, employee learning and development is a top priority for the organization, supported through regular training sessions and informal team-building retreats.



BENEFITS TO CLIENTS

INDICATOR	DATA POINT	COMMENT
% of clients trained	**20%**	20 in every 100 clients attend informal advisory training by Microfin credit experts. Clients are trained on customer service and accounting
Number of services addressing basic client needs	**1 loan product**	Business Loan
Number of clients benefiting	**100**	Around 100 clients have utilized Microfin's additional services in recent years

For a socially motivated provider of financial services like ECLOF, it is not enough to protect clients from harm. We actively seek positive impact on the lives of our clients: their economic wellbeing, their community integration, their ability to cover basic human needs, and their resilience against external shocks. This is achieved through financial products and by building clients' capacity.

Throughout the loan process, Microfin staff closely attend to clients and give informal advisory on business or financial questions — clients sometimes even refer to their Microfin loan officer as their "private banker." No formal training was conducted by a qualified external trainer in the most recent year; instead, Microfin's credit experts provide consultations to clients according to their needs, mainly on customer service and accounting topics.

Microfin's low portfolio default rate is used as a proxy: it indicates clients' ability to repay loans, which in turn suggests improved or at least stable income from their businesses.



Wider benefits to clients

Microfin's founder, Constanta Foundation is a Georgian nonprofit organization supporting the professional development and financial inclusion of micro and small entrepreneurs and farmers. The Foundation's initiatives include support for women entrepreneurs and small-scale farmers. Through small grants, it also supports social projects in rural communities. A farmer's handbook funded by the Foundation has provided practical advice to hundreds of Georgian farmers. Its social sewing enterprise, "Dediko," has employed 11 women, directly benefiting them, their eight children and six elderly people in their care. These activities reflect Constanta's continuing commitment to supporting women, young entrepreneurs and farmers, while strengthening economic opportunities in underserved rural communities

Moving forward, Microfin intends to continue funding training sessions for borrowers who need them—with the support of the Constanta Foundation—to enhance their knowledge in areas such as accounting, customs procedures, and marketing. Additionally, the company plans to continue deepening its employees' financial expertise. Ultimately, these initiatives will foster greater employee loyalty to the company and facilitate professional development.



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