


**IMPACT
STUDY
FINANCIERA FDL**

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This case study evaluates Alterfin's impact on Financiera FDL a Microfinance Institution (MFI) active in Nicaragua.

ABSTRACT

Microfinance plays a vital role in Nicaragua's in economic and social development, particular in rural areas where access to traditional banking services is scarce. The sector has grown significantly over the past few decades with a **strong emphasize on group lending and social responsibility**.

Financiera FDL (FFDL) is one of Alterfin's oldest partners with a **strong commitment to its social mission**, which has been the basis of this long-term relationship. Through this study we examine the **economic and social impact of FFDL's financial services on low-income communities in Nicaragua**, particularly in rural areas where access to credit is vital for **entrepreneurship and household resilience**.

The study highlights FFDL's role in **enhancing financial inclusion**, with a focus on its tailored loan offerings that meet the diverse needs of its clients. Through FFDL's partnership with rural families, the organization has facilitated **improved living conditions, asset acquisition, and access to education**. With a substantial majority of clients reporting positive changes in their economic well-being, FFDL's loans are shown to have **not only alleviated financial stress but also enabled long-term financial planning**. This report underscores FFDL's commitment to responsible financing and its significant contribution to promoting sustainable development and resilience in Nicaragua's rural communities.

ACKNOWLEDGEMENTS

We extend our sincere gratitude and appreciation to everyone who contributed to making this study possible.

Special acknowledgment goes to the **staff of FFDL**, including its management, operational teams, and the clients who participated in this study. Their cooperation, dedication, and hard work were crucial to the study's success, and their willingness to share experiences provided valuable insights and enabled us to draw meaningful conclusions.

We also want to thank **Claudia Van Gool from Voices That Count** for collaborating with us to and implementing the second impact study using the MFIPulse Methodology. This methodology is pivotal in helping us understand the impact of our investments on FFDL and its clients, and enhancing Alterfin's capacity to conduct future impact studies for its MFI partners.

Finally, we express our gratitude to **Yuri Marin Lopez, our data collection partner**, for demonstrating utmost professionalism and enthusiasm in learning a new methodology and delivering high-quality data that made this study insightful.

We are truly grateful to all our collaborators for their time, engagement, and commitment to this impact study.



EXECUTIVE SUMMARY

Nicaragua's socio-economic landscape is characterized by a mix of challenges and opportunities. The economy is largely driven by **agriculture, manufacturing, and services**. Following a history of political unrest, economic instability, and natural disasters, the country has made progress in certain areas, though persistent challenges remain. In recent years economic growth has been recorded, but **inequality, poverty, and limited access to financial services** remain key concerns.

In this context, the microfinance sector plays a vital role in promoting **financial inclusion** and supporting **small-scale economic activities**. Although challenges persist, ongoing regulatory reforms, digital transformation, and financial education initiatives are key to strengthening the sector's capacity and long-term impact on poverty reduction and economic development. With continued support from both local and international stakeholders, microfinance has the potential to foster sustainable economic development and financial empowerment across the country.

This impact study focuses on **Alterfin's longstanding collaboration with Financiere FDL** (FFDL). FFDL has its roots in a small microfinance initiative launched in 1989, and evolved into FDL (Fondo de Desarrollo Local – Local Development Fund) in 1993. In 2016, FFDL transitioned to become a regulated financial institution.

FFDL serves **over 47,000 clients of whom 76% rural clients and 51% women**, providing essential financial services, such as microloans, microinsurance, and payment services. In 2002 Alterfin became the **first international lender** of FFDL.

The study endeavours to understand the **impact of Alterfin's investment and support at the end beneficiary level**. We aim to understand the impact of FFDL's financial services on the lives of its clients.

This study draws on **stories and survey data from 187 rural and low-income clients** to assess the social and economic impact of FFDL's financial services. The results provide compelling evidence that FFDL plays a vital role in **improving household well-being, economic resilience, and trust in financial institutions** in Nicaragua.

The study shows that FFDL is enabling its clients to **move from financial survival to long-term development**. Strong trust-based relationships, measurable livelihood improvements, and growing resilience and financial autonomy demonstrate that FFDL's client-focused and transparent approach is not only delivering financial services but also contributing to **sustainable and inclusive development**.

ALTERFIN'S INTENT

Nicaragua's socio-economic landscape presents **significant challenges**, particularly in rural areas where financial exclusion is prevalent. Financiera FDL (FFDL) plays a crucial role in addressing these challenges by offering a **comprehensive suite of financial and non-financial services** tailored to the needs of smallholder farmers, rural entrepreneurs, and low-income households. Recognizing FFDL's impact and commitment to financial inclusion, Alterfin established a partnership with the institution as the **first international lender in 2002**, further solidifying this relationship by becoming a shareholder in 2016.

Since the partnership began, Alterfin has disbursed **13 loans** and made **one equity investment**, totalling **USD 9.4 million**. The first loan had a value of USD 160,000, which evolved with the needs of FFDL to reach a value of USD 2.5 million.

IMPACT STUDY'S OBJECTIVES

In 2025, Alterfin initiated this impact study to assess FFDL's contribution to **financial empowerment and poverty reduction** in Nicaragua. The study focuses on understanding how FFDL's financial services have influenced the **economic stability, business growth, and overall well-being of its clients**.

FFDL serves **over 47,000 clients** of whom 76% rural clients and 51% women, providing essential financial products such as microloans, microinsurance, and payment services. By gathering insights directly from clients, this study aims to **measure the real impact of financial inclusion on their lives and livelihoods**.

Through this study, Alterfin reinforces its **commitment to impact-driven investments** and ensures that financial support continues to drive meaningful change in underserved communities.

Since we make investments based on a partner's likelihood to generate a positive impact on its clients, here we aim to study the impact of FFDL's activities on the clients at **two levels**:

1. THE ECONOMIC LEVEL: Here we look at the **impact of financial services on clients** (loan terms and conditions, needs and preferences of clients).

2. THE HOUSEHOLD LEVEL: Here we evaluate whether financing from FFDL has led to **enhancements in the overall quality of life and access to fundamental services for the clients** such as healthcare, education, and housing.

HOW DO WE MEASURE OUR IMPACT ON MFI CLIENTS?

This study uses the **MFIPulse Methodology** developed by Alterfin and Voices That Count to study how Alterfin's investments, channelled through its partner, affect financial inclusion for poor and low-income households and if such financial inclusion leads to improvement in economic and household wellbeing.

MFIPulse represents a process and a tool to keep a finger on the pulse by **turning individual experiences of clients into patterns** that visualise the bigger picture with the goal of **understanding a complex social change**, or impact in other words. It is inspired by the **practice of SenseMaker**, a method of inquiry that involves **collecting and analysing story fragments about people's experiences** to explore and make sense of complex emergent social patterns.

Therefore, MFIPulse applies a **mixed methodology** that combines **first-hand narratives** with the **statistical authority of quantitative data**.

In the case of FFDL, we aimed at understanding **what aspects of their financing clients value most**, and the **consequent changes** they have experienced in their income-generating activity and/or overall wellbeing, i.e. what is the impact of FFDL on the lives of its clients?

This approach recognises the importance of **collaboration and knowledge-sharing** that will make such studies valuable for both Alterfin and its partners. Therefore, after the initial conceptualisation of the study with Voices That Count, it was then shared with FFDL so they could also adequately address their areas of interest as well.

To ensure the study's accuracy and reliability, we engaged a **local data collection partner**, Yuri Marin Lopez, who was then trained in the MFIPulse Methodology jointly by Alterfin and Voices That Count.

The methodology consists of two phases: first, we listen to the voices of the clients to determine **Impact Stories**, then we ask the clients additional questions, which resemble survey questions, to establish **Impact Trends**.



KEY FINDINGS

IMPACT STORIES: KEY MESSAGES ASSOCIATED WITH THE STORIES

Through the open-ended prompting and signification questions, clients were able to share their **most notable experiences and stories** related to FFDL.

Following this, respondents could select up to **two topics** to describe their stories, which allowed us to learn more about the key messages or topics related to those stories, and ascribe **two emotions** to each of the stories (Figure 1). Together, we categorise the themes and feelings to ascertain **patterns** from the respondent's stories to highlight things pertinent to FFDL clients (Figure 2 & 3).

The majority of stories highlighted the **transformative impact** of loans, with a strong emphasis on **improvements in housing and business expansion**. A smaller proportion of stories revealed **mixed emotions**, often related to **unforeseen challenges**, such as unexpected costs or fluctuations in business performance. A few stories expressed **indifference**, mainly concerning **loan amounts** and the **documentation process**, which some borrowers found cumbersome but ultimately manageable. Overall, these narratives underscore the substantial benefits loans have provided to borrowers, particularly in enhancing housing conditions, business stability, asset acquisition, and education.

Further analysis reveals a clear pattern, indicating that while loans are overwhelmingly seen as beneficial, their impact varies

depending on **individual circumstances** and the **sectors** in which they were used. The stories and the associated feelings are categorised as in Figure 3 (page 9).

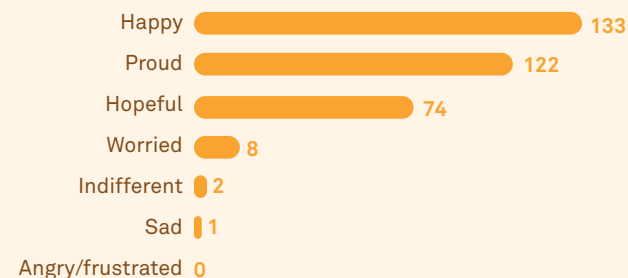


Figure 1: Emotions associated with client stories.

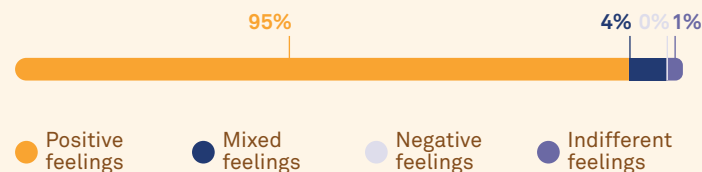
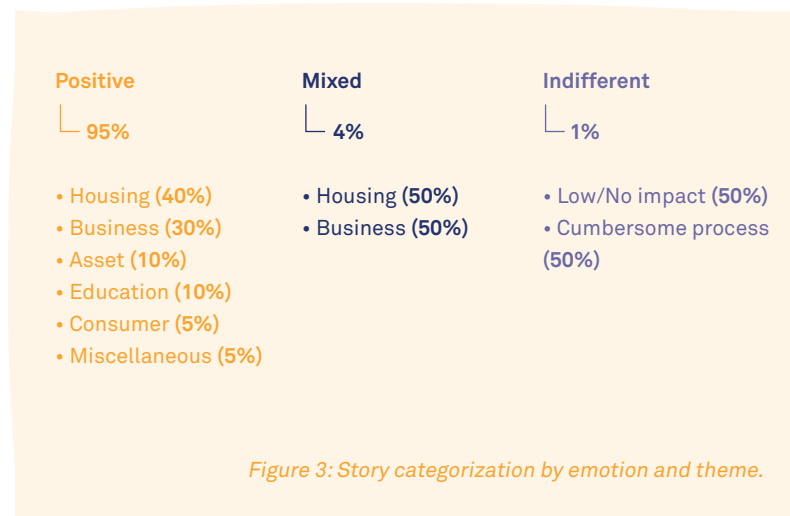


Figure 2: Story categorization by emotion.



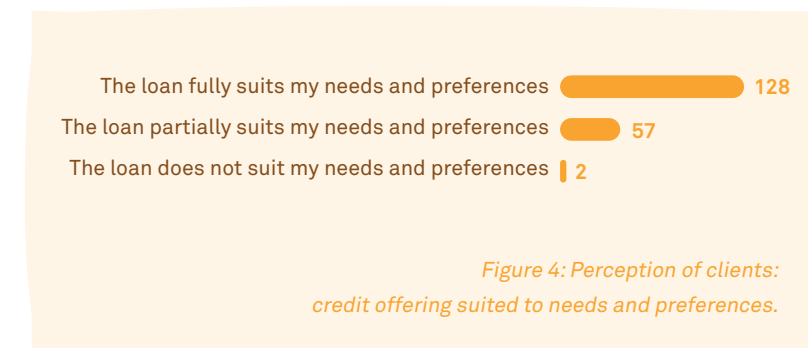
IMPACT TRENDS: RELATIONSHIP WITH FFDL

The stories lay the groundwork for impact considered most important by FFDL clients. We then follow this by analysing the relationship that entrepreneurs have with the institution.

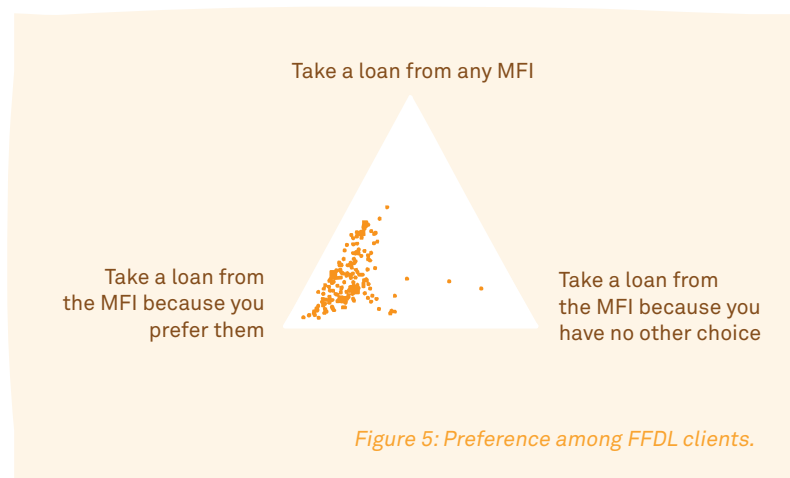
This is carried out in three ways by looking at (i) **perception**, (ii) **preference** and (iii) **recommendation** and aggregating the results from the multiple-choice questions that investigate how clients regard their relationship with FFDL.

Key findings: relationship with FFDL

68% of respondents report that FFDL loans **fully suit their needs and preferences**, indicating that clients find FFDL's loan offerings highly suitable and supportive of their financial goals. An additional **30%** say the loans **partially suit their needs**. Only **1%** (2 out of 187) stated that the loan **does not suit their needs and preferences at all**, indicating a very low level of dissatisfaction.



About **75% of respondents actively choose FFDL out of preference**. Around **15%** fall closer to the **'no other choice' category**, while **10% appear neutral**, suggesting they would borrow from any microfinance institution.



Additionally, **96% (150 out of 187) would recommend FFDL** to friends and family, demonstrating strong satisfaction and loyalty. Another **17% (32 out of 187) would somewhat recommend FFDL**, and only **3% (5 out of 187) indicated they would rather not recommend FFDL**.

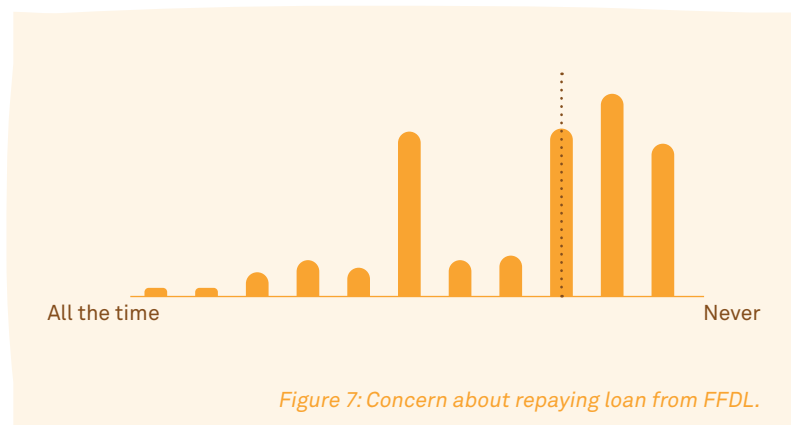


IMPACT TRENDS: ON THE ECONOMIC LEVEL

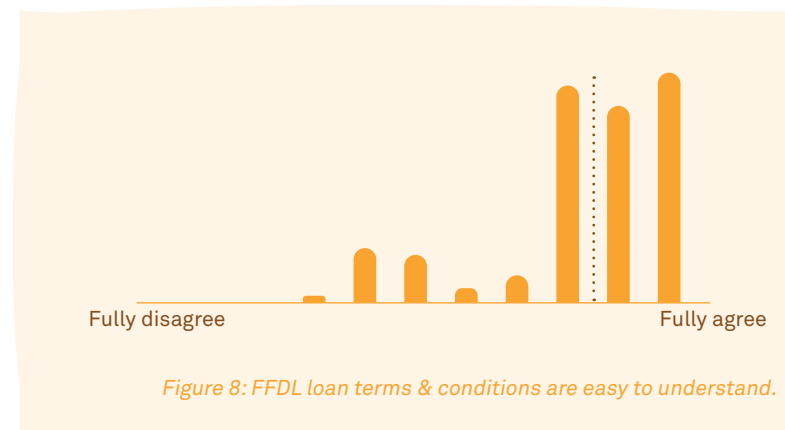
When assessing FFDL's economic impact, we identified **four key trends** derived from aggregating multiple-choice questions on economic impact and analysing clients' stories. These trends cover responsible financing, economic well-being, income utilization, and most valued services.

Responsible financing

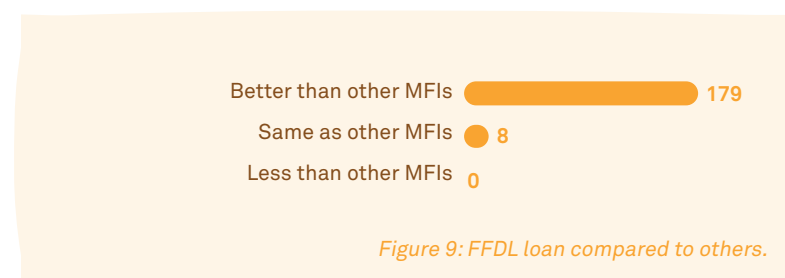
75% of respondents indicated to have little to no concern about loan repayment.



Additionally, **85%** of respondents find FFDL's loan terms and conditions easy to understand.



96% of respondents consider FFDL loan products better than those offered by other microfinance institutions, while only **4%** view them as comparable.



Impact on economic wellbeing

97% of respondents reported an **improvement** in their economic situation since receiving the loan, with **53%** noting a **significant improvement**. Only **1%** said their situation remained the **same**, while **2%** reported a **decline** (0.5% slightly worse, 1.5% significantly worse).



Figure 10: Change in economic situation of FFDL clients.



Income utilisation

About **38%** of the respondents allocate their loans towards **achieving long-term goals**, indicating a forward-looking investment in financial stability and development.

Around **58%** of the respondents direct their loans towards **short-term goals**, addressing immediate financial objectives that can be fulfilled in the near term.

The remaining **4%** primarily use their loans to **meet basic day-to-day needs**.

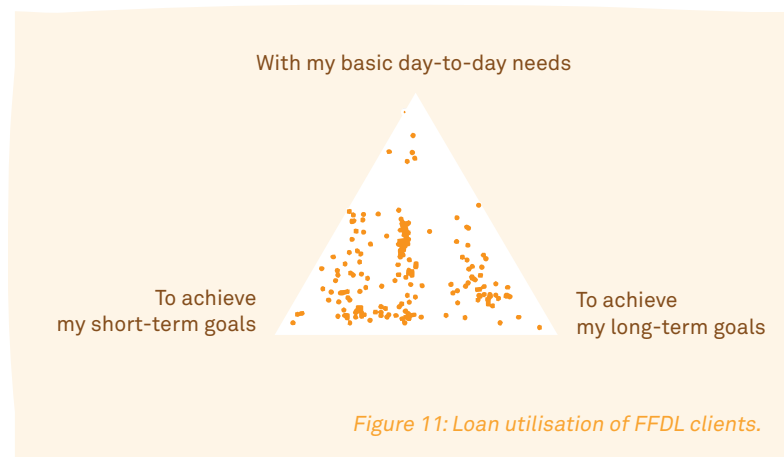


Figure 11: Loan utilisation of FFDL clients.

Most valued loan aspects

Among the various aspects of FFDL's loans, the most highly valued components are **interest rates (47%)** and **turnaround time (44%)**. **Insurance** follows closely, valued by **28%** of respondents. Other components are less prioritized: **loan duration** is valued by **20%**, **repayment conditions** by **9%**, and **collateral requirements** by **7%**.

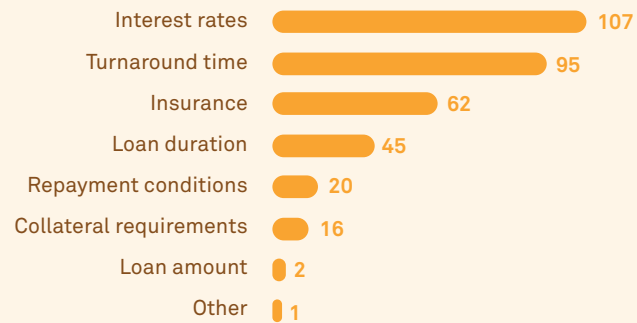


Figure 12: Most valued aspects of FFDL's loan.



IMPACT TRENDS: ON THE HOUSEHOLD LEVEL

When looking at FFDL's impact on clients' households, **two prominent trends emerge**.

The greatest impact, experienced by respondents who typically have a long-standing relationship with FFDL, is seen in **housing improvements (45%)**, **purchase of assets (25%)**, and **access to education for children (12%)**.

The remaining **18%** of respondents reported improvements across various other domains, including **access to healthcare**, improved **infrastructure**, accumulation of **savings**, and other **personal developments**. Only **one respondent** reported they experienced **no household-level improvement** at all.

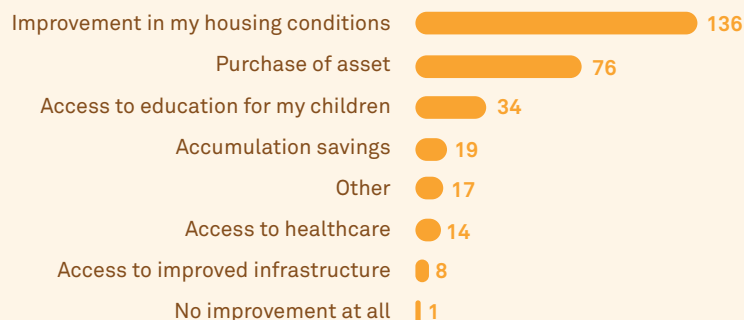


Figure 13: Household level Improvements.

In terms of vulnerability and preparedness for emergencies, the most common coping strategy among the respondents is to **use their savings (63%)**, followed by **borrowing from FFDL itself (24%)**. Fewer respondents would **borrow from friends or family (7%)**, **sell an asset (3%)**, or resort to **other options (3%)**. Only **one** respondent mentioned **borrowing from a money lender**, and none indicated they would borrow from another financial institution or had no way to pay.

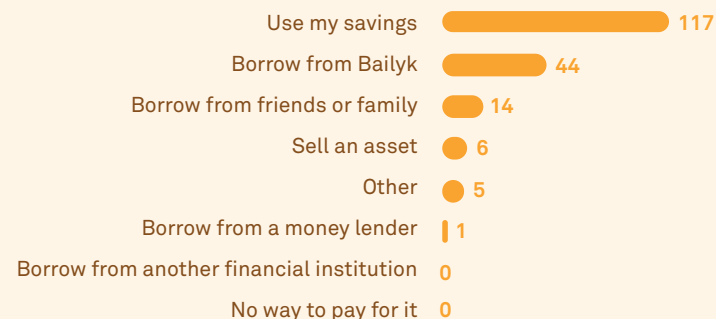


Figure 14: Resilience of FFDL clients to economic shocks.

CONCLUSION

FFDL's impact on low-income households in Nicaragua is best understood not by looking at numbers or narratives alone, but by bringing them together. The **convergence of personal stories and quantitative trends** demonstrate how FFDL's financial services enable rural families to build more stable, resilient lives.

Clients' personal accounts highlight **tangible improvements in daily life such as safer housing, productive assets, and access to education**, all made possible through FFDL loans. These narratives are mirrored in the survey findings: **over 80% of respondents report meaningful household improvements**, confirming that such changes are not anecdotal but widespread. This consistency underscores FFDL's ability to offer **financial products that respond to the real needs and priorities of its clients**.

The data further shows that 93% of respondents experienced **significant economic improvement** and 75% prefer FFDL over other MFIs. These findings gain depth through stories of clients who describe FFDL as a **trusted financial partner**, particularly during times of uncertainty. When faced with emergencies, most said they would turn to FFDL first, while others reported having built sufficient **savings to manage shocks**, pointing to a shift in financial behavior. These outcomes reflect not only greater economic wellbeing but a deepening of **financial resilience**, with clients transitioning from day-to-day survival to long-term planning.

Loan utilization patterns reveal this **dual impact**: 38% of clients use loans for long-term goals, while 58% address short-term needs. FFDL helps households **stabilize today** while also planting seeds for **future growth**. Client stories echo this trend: loans are used to expand small businesses, invest in farming inputs, or support their children's education. These stories give a **human face to the broader trend of financial empowerment** and signal that clients are using credit not just as a **safety net** but as a **stepping stone to sustainable development**.

Client satisfaction extends beyond loan outcomes to the delivery. The survey results show that clients most value low interest rates (47%), quick turnaround times (44%), followed by insurance and flexible loan durations. The interviews echo these findings, where clients repeatedly praised FFDL's **responsiveness, efficiency, and respectful treatment**. This alignment demonstrates that FFDL's operational model, centered on affordability, speed, and respect, builds **strong trust-based relationships** that are as important as the financial products themselves.

Taken together, the data and stories converge on a single conclusion. FFDL is not just expanding access to credit. It is enabling a **transformation in how rural families manage risk, pursue opportunity, and envision their future**. Through a client-centric and impact-driven approach, FFDL supports entrepreneurship, improves livelihoods, and lays the foundation for long-term resilience. Its ability to combine financial discipline with deep community engagement shows that inclusive finance, when implemented responsibly, can be a **powerful driver of rural development in Nicaragua**.



ANNEX

METHODOLOGY

Demographic summary: who are the voices behind the stories?

We heard the voices of **187 clients of FFDL** across three municipalities in the Managua region in Nicaragua: Mercado Central, Ticuantepe, and Tipitapa. The demographic characteristics of this sample are summarized below. Overall, the sample provides a **representative cross-section of FFDL's clients**, reflecting their **diverse profiles** and the **different types of credit** accessed.

Average Loan Size	1,790 USD
Median Age	47 years
Men	104 clients
Women	86 clients
Average Household Size	5
Average years working with the MFI	8 years

Table 1: Proportional sampling of FFDL clients.

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