



Sustainable Microfinance: Integrating ESG Strategies in Kyrgyzstan's Financial Sector

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Outline of Work

The Aim of Work

The Literature Review

Data and Methodology

Empirical Findings

Concluding Remarks

Purpose

- Analysis of the key processes involved in formulating and implementing effective ESG strategies in the microfinance sector in Kyrgyzstan.
- By highlighting these insights, it aims to create meaningful change and promote a sustainable development roadmap in this vital industry for the Kyrgyz financial sector.

The Impact of Sustainability & ESG on Finance Sector

- It is a fact that the sustainability of the financial sector and the implementation of Environmental, Social, and Governance (ESG) principles are important for the economic development of countries, regions, and the global financial markets (Smolo, 2023).



Literature Review

- Financial institutions play a key role in ensuring stable economic growth (Murad & Ideweale, 2017), and they have the greatest influence on long-term growth because they direct savings from the financial system into investments.
- In developing countries such as Kyrgyzstan, the finance sector — particularly microfinance institutions (MFIs) — plays a vital role in providing access to finance and employment, thereby lessening poverty (Nair, 2010; Chakrabarty & Bass, 2014; Cull et al., 2014).

The Microfinance Sector in Kyrgyzstan

1990s–early 2000s:

- Donor-funded programs. Following independence, Kyrgyzstan faced widespread poverty and limited access to finance. Donor-supported initiatives, including programs by international organizations and NGOs, laid the groundwork for community-based microcredit projects, particularly in rural areas.

2002: Enactment of the Law on Microfinance Organizations.

- This legislation provided a regulatory framework for microfinance institutions (MFIs), enabling licensing, supervision by the NBKR, and formalization of earlier donor-driven initiatives.

2000s–2010s: Market consolidation and diversification.

- Rapid growth of MFIs expanded outreach to rural households, women, and small enterprises. During this period, larger MFIs began professionalizing operations, introducing savings products (for deposit-taking MFIs), and experimenting with agricultural and remittance-linked lending.

2010s–present: Sector maturity and challenges.

- The sector stabilized under NBKR oversight, but challenges such as over-indebtedness, limited digital penetration, and exposure to climate shocks persisted. More recently, sustainability and ESG considerations have emerged on the policy agenda, aligning with global trends in responsible finance.

ESG Dimensions of MFIs in Kyrgyzstan

Economic Sustainability of MFIs

- Promotes the growth of small businesses: Loans provided through microfinance enable small-scale entrepreneurs to grow their businesses and gain economic independence.
- Increases financial inclusion: Helps individuals and businesses without access to the banking system to be included in the economic system.
- Ensures long-term sustainability of microfinance institutions: Without a financially sound structure, microfinance services become unsustainable.

Social Sustainability of MFIs

- Enables women to be empowered: A large portion of microfinance loans are provided to women entrepreneurs, promoting gender equality.
- Enables young entrepreneurs access to finance eliminating unemployment and poverty.
- Contributes to reducing poverty: Microfinance enables low-income individuals to create their own livelihoods.
- Develops financial literacy within society: Providing financial education along with loans supports individuals in making informed financial decisions.

Environmental Sustainability of MFIs

- Green microfinance models are encouraged: Microfinance institutions can contribute to environmental sustainability by financing renewable energy, sustainable agriculture and environmentally friendly projects.
- Protection of natural resources is ensured: Directing microfinance loans to environmentally friendly projects such as sustainable agriculture and water management can be encouraged.
- Helps reduce carbon footprint: Financial support can be provided to small businesses that produce with environmentally friendly initiatives and recyclable materials.

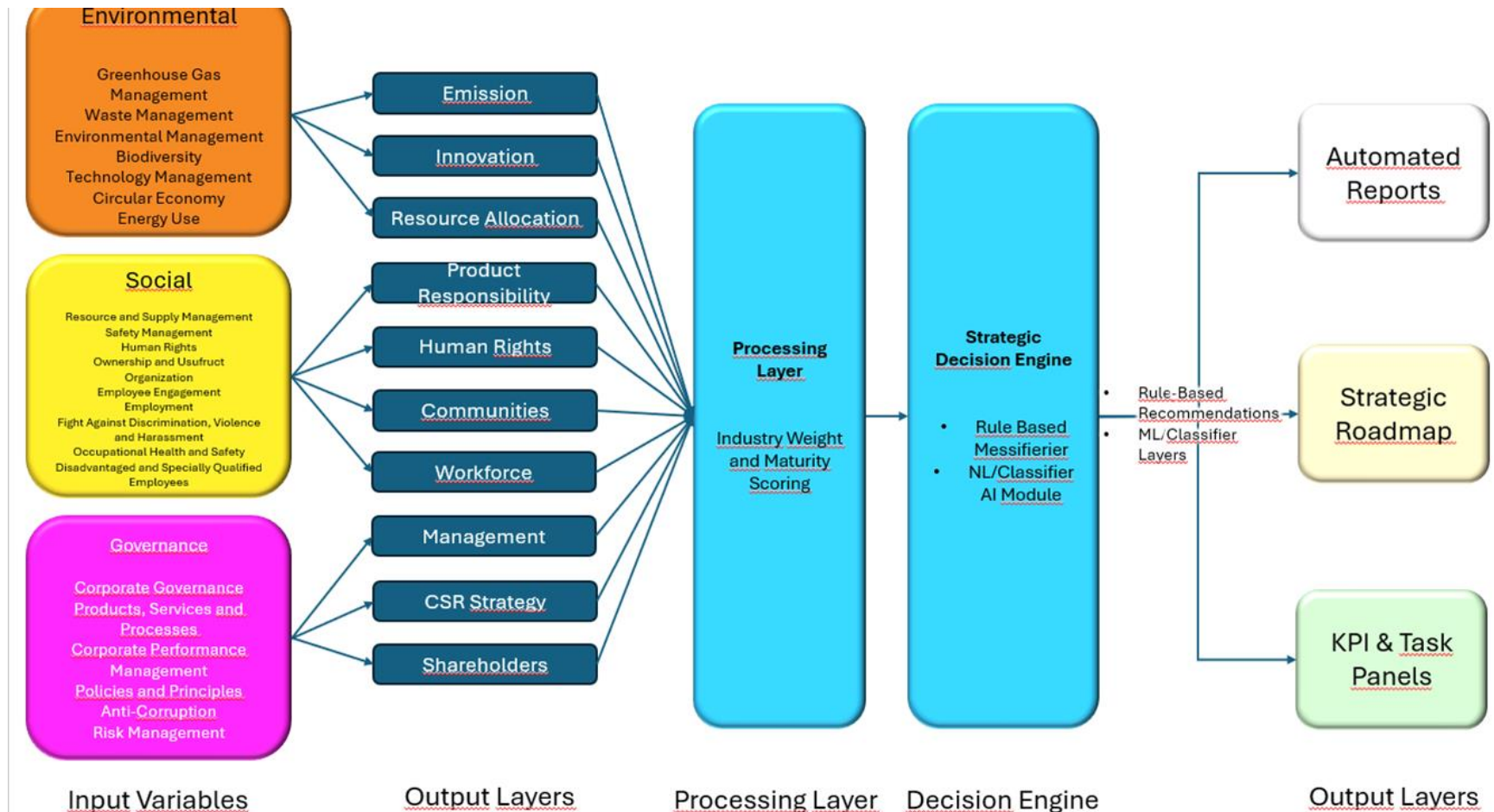
Government Initiatives

- Green Economy Concept (2018)
- Paris Agreement & NDC 2030 targets
- NBKR Sustainable Finance Roadmap (2024–2026)

Data and Methodology

- Case study of 14 leading MFIs (52.6% market share)
- In the context of the methodology, we used the CORPSUS ESG Maturity Analysis Model.
- The CORPSUS ESG Maturity Analysis Model is a system that measures Environmental, Social, and Governance scores across three dimensions, aligned with international standards.

The CORPSUS ESG Calculation Framework



ESG Analysis Findings and Discussion on the Future Sustainability Strategies

Kyrgyz microfinance institutions' average ESG maturity scores

Number of MFIs	14
Industry	Finance and Banking

General ESG Performance Indicators			
ESG	Env.	Social	Gov.
Multiplier	14%	50%	36%
Dimension Score	18,75	36,78	25,80
Dimension Performance	44,6%	87,6%	83,2%
Weighted Dimension Performance	56,9%	87,4%	83,0%
Total ESG Score	81		
Total ESG Performance	70,73%		
Weighted ESG Performance	81,55%		

Environmental Dimension of MFIs

Dimension	Dimension Multiplier	Dimension Performance	Weighted Dimension Performance	Sub-Dimension	Sub-Dimension Multiplier	Sub-Dimension Performance	Category	MIN	MAKS	MEAN	MEDIAN
Environmental	14,00%	44,64%	51,58%	Emissions	16,83%	46,04%	Greenhouse Gas Management	4,17%	100,00%	41,96%	50,00%
							Waste Management	0,00%	100,00%	53,57%	50,00%
							Environmental Management	12,50%	100,00%	63,99%	68,75%
							Biodiversity	0,00%	100,00%	32,86%	25,00%
				Innovation	66,34%	76,34%	Technology Management	0,00%	100,00%	77,23%	93,75%
				Resource Use,	16,83%	34,05%	Circular Economy	0,00%	100,00%	50,00%	42,50%
							Energy	0,00%	100,00%	55,36%	60,00%

Social Dimension of MFIs

Dimension	Dimension Multiplier	Dimension Performance	Weighted Dimension Performance	Sub-Dimension	Sub-Dimension Multiplier	Sub-Dimension Performance	Category	MIN	MAKS	MEAN	MEDIAN
Social	50,00%	87,59%	87,39%	Product Responsibility	18,00%	87,28%	Resource And Supply Management	12,50%	100,00%	82,59%	96,88%
							Safety Management	75,00%	100,00%	94,64%	100,00%
				Human Rights	19,00%	90,63%	Human Rights	50,00%	100,00%	92,41%	100,00%
				Community	24,00%	87,76%	Ownership And Usufruct Rights	56,25%	100,00%	90,63%	96,88%
							Organization (Worker Representation And Collective Bargaining)	60,00%	100,00%	85,00%	85,00%
							Employee Participation	80,00%	100,00%	92,50%	97,50%

Governance Dimension of MFIs

Dimension	Dimension Multiplier	Dimension Performance	Weighted Dimension Performance	Sub-Dimension	Sub-Dimension Multiplier	Sub-Dimension Performance	Category	MIN	MAKS	MEAN	MEDIAN
Governance	36,00%	83,24%	83,03%	Management	67,00%	82,77%	Corporate Management	57,14%	100,00%	85,48%	87,50%
							Products, Services, And Processes	25,00%	100,00%	73,21%	75,00%
							Corporate Performance Management	41,67%	100,00%	88,99%	91,67%
				CSR Strategy	13,00%	81,98%	Policies And Principles	37,50%	100,00%	83,04%	84,38%
							Anti-Corruption	28,57%	100,00%	81,38%	89,29%
				Shareholders	20,00%	90,48%	Risk Management	25,00%	100,00%	88,31%	100,00%

ESG Assessment Results

- Average ESG score: 70.7%
- Strongest in Social (87.6%)
- Weakest in Environmental (44.6%)

Strengths of MFIs

- Corporate strategy development
- Community engagement
- Transparency & accountability

Weaknesses

- Low environmental responsibility
- Limited green financial products
- Underdeveloped ESG reporting

Policy Recommendations

- Adjust interest rates & flexible credit models
- Financial literacy programs
- Women & youth entrepreneurship support
- Green initiatives & eco-finance
- Implement green business models
- Partnerships with universities & NGOs

Conclusion

- Kyrgyz MFIs at the developing stage of ESG maturity
- ESG opens doors for responsible investment
- The 14 MFIs can serve as a regional benchmark

THANK YOU...