



MICROCAPITAL BRIEFS | TOP STORIES

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India's Janalakshmi Raises \$150m

Please see the subscriber edition for coverage of this "MicroCapital Deal of the Month."

India's Equitas Raises \$206m in Association with IPO

Equitas Holdings Limited of India recently generated the equivalent of USD 108 million through its IPO plus an additional USD 98 million from anchor investors ahead of the offering. Existing shareholders also exited with proceeds of USD 222 million. Total demand for the IPO was USD 3.9 billion. Shares of Equitas went for INR 110 (USD 1.65) during the IPO and rose as high as INR 147 (USD 2.20) during the next day of trading. Among the firms cashing out were Aavishkaar, Aquarius Investments, CreditAccess Asia, Helion Venture Partners, India Financial Inclusion Fund, International Finance Corporation, Lumen Investment Holdings, Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden, Sequoia Capital and Westbridge Ventures. CreditAccess Asia, to take one example, sold half its stake in Equitas, generating proceeds of USD 28 million, including a net gain of USD 21 million after eight years as a shareholder. Equitas, which operates microfinance, vehicle finance and housing finance units, reports total assets of USD 600 million and 2.7 million clients. April 26, 2016

Cignifi, Equifax Offer Credit Scoring Based on Mobile Usage in Latin America

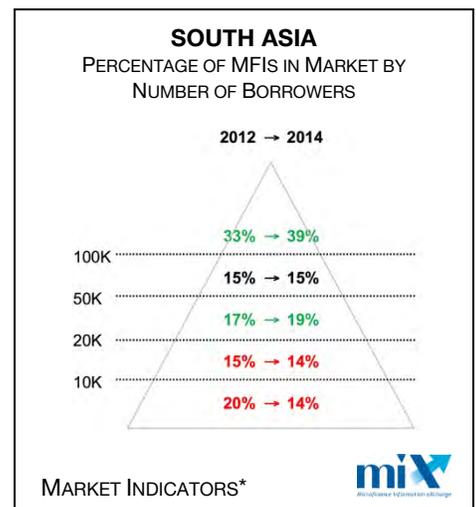
Cignifi, a US-based provider of information technology, and Equifax, a US-based credit reporting agency, recently announced a "multi-year partnership" to offer credit scores in Latin America. Cignifi will assess creditworthiness based on mobile phone usage data. Chris Jones, President of Latin America Equifax, said, "We are optimistic that the Predictor Inclusion Score will have a significant impact on financial inclusion in the region - helping to expand access to credit for those consumers who previously had limited interaction with banks or financial institutions." April 14, 2016

VisionFund Buying Majority Stake in DRC Arm of Opportunity International

Pending regulatory approval, VisionFund International, a US-based affiliate of the Christian humanitarian organization World Vision International, has agreed to purchase a majority stake in Opportunity International's microfinance institution (MFI) in the Democratic Republic of Congo. Opportunity, a US-based microfinance NGO, will retain a 20-percent stake in the MFI and one seat on its board. VisionFund plans for the MFI to provide small loans for sanitation, nutrition, education and medical services, initially focusing on the Kinshasa area. Opportunity serves 12 million individuals in 28 countries in Africa, Asia, Europe and Latin America. World Vision raised USD 1 billion in cash and in-kind gifts during 2014 and serves approximately 100 countries as of 2016. April 13, 2016

(For more top stories, please refer to the subscriber edition.)*

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MICROCAPITAL BRIEFS

EFSE to Loan \$2.8m Loan to MI-BOSPO of Bosnia and Herzegovina

The European Fund for Southeast Europe (EFSE), a Luxembourg-based microfinance investment vehicle, recently announced that it has loaned the equivalent of USD 2.8 million to Microcredit Foundation MI-BOSPO, a nonprofit microlender in Bosnia and Herzegovina that was founded in 2000 by the Bosnian Council for Aid, which is known as BOSPO. In addition to the loan funds, EFSE will provide training to MI-BOSPO's staff on agricultural lending. EFSE Board Chairperson Monika Beck expressed that "[MI-BOSPO's] plan to increase support in agricultural and rural areas dovetails with our mission to foster economic development and prosperity in the Southeast Europe region." MI-BOSPO reports USD 28 million in assets, a gross loan portfolio of USD 25 million, return on assets of 2.1 percent, return on equity of 5.1 percent and 19,000 borrowers. April 27, 2016

AFD Loans \$12m to Enda Tamweel of Tunisia

Agence Française de Développement, the overseas development agency of the French government, recently loaned the local-currency equivalent of USD 12 million to Enda Tamweel, the agricultural and livestock division of Tunisia-based microlender Enda Inter-Arabe. The package is intended to benefit 200,000 individuals by providing funding to 40,000 family farms in the northwestern and central western regions of Tunisia. Enda Inter-Arabe, a member of Senegal-based NGO Enda Third-World, reports total assets of USD 155 million, a gross loan portfolio of USD 146 million, return on assets of 2.6 percent, return on equity of 14 percent and 271,000 active borrowers. April 26, 2016

ADA, BRS, CERISE Integrate SPI-4, MFI Factsheet

Three NGOs, ADA, formerly known as Appui au Développement Autonome; Belgian Raiffeisen Foundation (BRS); and Comité d'Echange, de Réflexion et sur les Systèmes d'Épargne-Crédit, recently partnered to integrate the Social Performance Indicators 4 (SPI-4) and MFI Factsheet programs. These can be accessed through Microfact, an online platform that offers tools and workshops intended to improve the performance of microfinance institutions (MFIs). SPI-4 can be used to analyze factors such as the use of "green microfinance" and client data such as poverty level, gender and rural vs. urban origin. MFI Factsheet facilitates the analysis of MFIs' financial data through graphing and other means. It is estimated that 500 MFIs use one of the four versions of SPI and 600 MFIs use the MFI Factsheet. Both programs can be accessed free of charge. April 24, 2016

ResponsAbility Loans \$10m to Kompanion Bank of Kyrgyzstan

ResponsAbility Investments AG, a Swiss company specializing in investments in areas such as fair trade, recently informed MicroCapital that it has agreed to loan the equivalent of USD 10 million to Kompanion Bank Closed Joint Stock Company, a microfinance provider in Kyrgyzstan. Only the first third of the facility, which contains a mixture of USD and KGS, has been released so far. Kompanion, which received a banking license in 2016, reports assets of USD 103 million, a gross loan portfolio of USD 81 million and 115,000 borrowers. April 18, 2016

Ghana MFI Association Supports Capacity Improvement

The 661-member Ghana Association of Microfinance Companies recently launched its Microfinance Companies Capacity Improvement Project (MICCIP). The effort will include an 18-month technical assistance programme for 40 of its members "who possess signs of high professionalism and sustainability." The aim is to improve transparency and confidence in the microfinance industry "leading to a more socially responsible and sustainable financial environment." MICCIP is funded by a grant equivalent to USD 1.7 million from the French government's Agence Française de Développement. April 16, 2016

Sierra Leone to Lend to SMEs at Single-digit Interest Rates

The Small and Medium Enterprises Development Agency of Sierra Leone (SMESL), which was established by that nation's parliament in 2015, recently announced it will lend to small and medium-sized enterprises at interest rates below 10 percent per year with no collateral requirement. In addition, SMESL described how the "Local Content Agency Act" will be implemented in an effort to strengthen connections between foreign and local organizations. According to SMESL President Ernest Bai Koroma, guidelines will "ensure that Sierra Leoneans have a fair and transparent opportunity to compete for the delivery of local materials and other goods and services under a preferential price sensitive procurement system without compromising timeliness, quality, safety and other standards." April 13, 2016

C-Quadrat Funds Loan \$1.5m to MFIs in Costa Rica, Moldova

Austria's C-Quadrat Asset Management recently informed MicroCapital that it loaned a total equivalent to USD 1.5 million via its two Dual Return Funds to unspecified microfinance institutions (MFIs) in Costa Rica and Moldova. USD 1 million of this total was invested in an MFI based in Alajuela, Costa Rica, which was launched in 1965 and serves rural areas. C-Quadrat Asset Management provides investment and advisory services in the field of microfinance, including managing the Dual Return Fund - Vision Microfinance and Dual Return Fund - Vision Microfinance Local Currency, which report combined assets under management of USD 301 million. C-Quadrat Asset Management is a unit of Austrian fund group C-Quadrat, which manages assets equivalent to USD 6.1 billion. April 13, 2016

Alif of Tajikistan Receives Banking License

Alif-Sarmoya Micro Credit Deposit Organization recently received approval from the National Bank of Tajikistan to accept deposits and conduct currency exchange operations. Established in 2014, Alif offers Sharia-compliant finance, which follows Islamic law by eschewing conventional interest payments in lieu of concepts such as the sharing of profit and loss. Its loans, whose terms vary from four to six months, average USD 4,000 in size and may be used for housing, vehicles and consumer purchases. April 12, 2016

Kreditech Raises \$104m, Seeks to Grow Monedo Online Lending

Kreditech, a German financial technology company, recently announced that it raised the equivalent of USD 104 million in Series C funding from investors including Blumberg Capital, HPE Growth Capital, Värde Partners and the World Bank Group's International Finance Corporation. Kreditech's Monedo website, which offers products such as short- and long-term loans, lines of credit, personal finance management services and eWallets, is targeted at consumers in both emerging and developed markets who would not qualify for credit from traditional banks. Rather than relying on repayment history, Kreditech makes credit decisions based on customers' online behaviour, including social media activity. April 11, 2016

Afluenta Raises \$8m for Peer-to-peer Lending in Latin America

Afluenta, an Argentinian peer-to-peer lending platform, recently raised USD 8 million in Series B funding from the International Finance Corporation, a member of the US-based World Bank Group that aims to increase economic growth in developing countries, and Elevar Equity, a "development-focused" private equity fund based in India. Afluenta will use the funding to expand its services from Argentina, Colombia, Mexico and Peru to other parts of Latin America. Since 2012, Afluenta has raised USD 10.8 million in equity funding from four investors, facilitated loans totaling USD 80 million to 244,000 people and generated USD 20 million in interest income. April 5, 2016

(For more briefs, please refer to the subscriber edition.) 📄

SPECIAL REPORT

This interview launches a sponsored series on European Microfinance Week, which will be held from November 16 through November 18 by the European Microfinance Platform (e-MFP), a 125-member network located in Luxembourg.

7th European Microfinance Award

MicroCapital: Why is education access the topic of this year's Award?

Christoph Pausch: Education is the strongest predictor of economic well-being, and it can also have a major impact on health, women's empowerment and even population growth. Unfortunately, in countries where microfinance institutions (MFIs) operate, free public education is far from universal. Whether because of poor quality, distance or outright unavailability, parents often choose private schools. And even where schools are free, there are often significant costs for books, uniforms and other supplies.

There are hundreds of millions of families whose incomes are high enough to afford schooling, but still low and irregular enough for payment to be a formidable challenge. The potential for MFIs to deploy well-designed financial products to expand education access to improve families' well-being is tremendous.

MC: Please cite a few examples of how MFIs can approach education.

CP: There are two ways to think about this. The more obvious is to target the demand side: products that help households afford education. These can look like typical microcredit or savings products, such as commitment plans that help families regularly set aside small amounts of cash or term deposits that help families save lump sums (for example, from harvest time) until fees are due. Another possibility is insurance

that covers school costs in case of an income shock (e.g. failed harvest, illness or death) or programmes that allow migrants to direct their remittances to pay for schooling.

MFIs can also target the supply side. Many low-cost schools have budgets similar in size to the small and medium-sized enterprises MFIs already serve. They can lend schools capital to address insufficient or outdated educational materials and physical infrastructure. MFIs can also help schools manage their cash flow; it can be tricky to use fees that come in two or three times per year to pay out salaries every week or two. Intermediating between the schools and the families of their students - serving the needs of both while reducing risks for all involved - is the trifecta of financial inclusion.

MC: What is the importance of the Award within the industry today?

CP: The European Microfinance Award serves two parallel goals: rewarding MFIs that innovate in important areas and also disseminating their best practices to be replicated by others. EUR 100,000 (USD 112,000) attracts serious applicants, which then go through an equally serious selection process. Finalists' applications are reviewed by over 15 individuals, including industry experts and accomplished members of the Award's High Jury. We also try to choose topics that are ahead of the curve: this year is Access to Education, last year it was Post-Disaster and Conflict and before that it was the Environment. In 2008, it was Socially Responsible Microfinance - well before this became the talk of the industry. In this way, the Award encourages the sector to expand toward important new frontiers.

Christoph Pausch serves as Executive Secretary of e-MFP. The European Microfinance Award is jointly organised by the Luxembourg Ministry of Foreign and European Affairs, e-MFP and the Inclusive Finance Network Luxembourg. For more details or to apply, visit <http://www.european-microfinance-award.com>.



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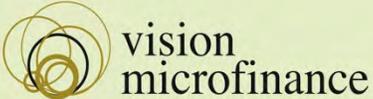
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EAR TO THE GROUND

SME Banking: A Seven-minute Affair?

Last week in Mexico City, I had the pleasure of attending Hanson Wade’s SME Banking event. While I was there, I did a few double takes, as I figured out that the hot topic was fintech more than either banking or small and medium-sized enterprises (SMEs). Even when talking about the SME segment, which is traditionally very relationship-dependent, the wheels of bankers’ minds were spinning, betting on solutions that could cut the cost of lending to SMEs once and for all - even at the expense of the “personal touch.”

At the event, I hosted a workshop in which I emphasized cost-cutting back-office technology and process solutions. Although my comments were met with nods, my ideas were soon muffled by shiny client-facing web platforms. When a banker from Argentina spoke of his relationships with manufacturers, visits to their factories, knowledge of local industry and macroeconomic trends, he saw blank and somewhat impatient smiles. Young bankers today want quick, low-cost, scalable solutions; they are placing their bets on technology rather than experience.

This makes intuitive sense. Young people seem to trust technology more than face-to-face encounters. At the same time, investors have no patience for brick-and-mortar solutions that promise growth at a snail’s pace. But let’s not confuse investor enthusiasm with solutions to the SME lending gap.

Perhaps the highlight of the event was a presentation by Kabbage, a US-based SME fintech company that uses eBay sales data, credit scores and social media information to approve SME loans online in seven minutes in amounts up to USD 100,000. I was transfixed by the idea of harnessing sales data from eBay, and a seven-minute loan is nearly impossible to beat. I was ready to sign on the dotted line! According to the website

CrunchBase, Kabbage has received USD 239 million in equity investments since its inception four years ago. It has made 75,000 SME loans totaling USD 1.8 billion, exceeding the portfolio size of many microfinance institutions (MFIs) that have been lending for decades.

Kabbage has an interesting model, but because there are so little data available about the firm, it is difficult to understand its potential risks. Thanks to regulators, industry associations and even the MIX Market, we can understand a bank’s or MFI’s risk profile quite well. But Kabbage is neither regulated nor public, so it is nearly impossible to find its delinquency or write-off ratios. However, with annual interest rates between 32 and 108 percent, I suspect the delinquencies are there. Fintechs that rely on credit scores without data such as eBay cash flows likely face even greater risks.

The Bank for International Settlements pegs the US non-bank financial system at USD 3.2 trillion. Perhaps the fintech disruption was due, yet investor enthusiasm is reminiscent of other credit innovations that lacked fundamental understanding of the underlying risk. It seems prehistoric to advocate for the Argentine’s relationship-based approach described above, but I will start by advocating for company-level transparency and industry benchmarking. These would be first steps toward protecting our lending market from another bubble that would have adverse effects on consumers, many of whom are already quite vulnerable.

About the Author: Ms Barbara Magnoni is President of EA Consultants, a development-consulting firm based in New York. She has over 20 years of international finance and development experience and has worked with organizations including Goldman Sachs, Chase and BBVA and has advised institutions such as the International Finance Corporation, the US Agency for International Development and the International Labour Organization. She may be reached at +1 212 734 6461 or [bmagnoni\[at\]eac-global.com](mailto:bmagnoni[at]eac-global.com), or you may follow her on Twitter at [BarbaraatEA](#).

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PAPER WRAP-UPS

Financial Diaries with Smallholder Families

By J Anderson and W Ahmed, published by CGAP (the Consultative Group to Assist the Poor), February 2016, 108 pages, available at: <http://www.cgap.org/publications/financial-diaries-smallholder-families>

This report investigates the financial situations of 270 families in Mozambique, Pakistan and Tanzania and the challenges they face pertaining to agriculture, finance, health and education. The authors offer the following recommendations: (1) non-commercial smallholders in Mozambique would benefit from improved agricultural production and crop storage methods; (2) Tanzanian households should diversify their savings methods; and (3) Pakistani farmers would benefit from tools to improve their relationships with middlemen.

Smallholder agricultural families are particularly vulnerable to climate- and insect-related shocks, as “72 percent of Tanzanian households did nothing in response to weather shocks,” and “61 percent of Mozambique households did nothing in response to pest infestation, demonstrating a lack of fallback... (Continued in the subscriber edition)

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Questioning Three Fundamental Assumptions in Financial Inclusion

By P Mader, published by the Institute of Development Studies, February 2016, 31 pages, available at: <http://www.ids.ac.uk/publication/questioning-three-fundamental-assumptions-in-financial-inclusion>

The author asserts that microfinance practitioners commonly hold the following assumptions: (1) increased financial inclusion is directly related to positive development outcomes and broader benefits; (2) extending financial services directly benefits the poor; and (3) there are untapped business opportunities in microfinance.

Through an analysis of... (Continued in the subscriber edition)

Mobile Money Momentum in Four African Countries

Published by CGAP (the Consultative Group to Assist the Poor), December 2015, 101 pages, available at: <http://www.cgap.org/news/new-data-cgap-sets-benchmark-use-mobile-financial-services>

This report offers the results of a survey on mobile money account usage in Ghana, Kenya, Rwanda and Tanzania. While Kenya and Tanzania are considered to be the frontrunners in mobile money, the survey shows that Rwanda and Ghana are improving their usage of the... (Continued in the subscriber edition)

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