

MICROCAPITAL BRIEFS | TOP STORIES

Orix Boosts Stake in Cambodia's Acleda to 12%

Please see page 2 for coverage of this "MicroCapital Deal of the Month."

Opportunity, ReGrow West Africa, Tata Make Commitments at CGI Annual Meeting

At the recent eleventh annual meeting of the Clinton Global Initiative (CGI), an initiative of the US-based Clinton Foundation, 123 new commitments to "alleviate poverty, create a cleaner environment and increase access to health care and education" were announced, including: (1) USD 175 million to support lending, savings and "extension services" provided by Opportunity International, a microfinance NGO based in the US city of Chicago, to 2,500 new schools and 250,000 smallholder farmers in Africa by 2018; (2) USD 4.5 million raised by ReGrow West Africa, a public-private partnership with backers including US-based oil company Chevron, to be used create a marketplace to facilitate investment in 90 small and medium-sized enterprises and 12 "high impact greenfield investment projects" in countries impacted by the Ebola virus; and (3) a commitment by India-based Tata Communications to use "mobile platforms to provide expanded economic opportunities for" 25,000 women in partnership with multiple microfinance institutions, beginning in Guatemala, India, Indonesia and Nigeria. October 8. 2015

IDB Loans \$10m to Paraguay's Vision Banco for Water, Sanitation Facilities

The Inter-American Development Bank (IDB), a US-based multilateral finance institution, recently approved a loan of USD 10 million to Vision Banco, a microfinance institution in Paraguay, with the goal of benefiting 10,000 households via on-lending to "water and sanitation councils" as well as directly to families. Additionally, IDB will provide technical assistance to Vision Banco regarding the design of the credit product, and training will be made available for the water and sanitation councils on "operational, commercial and financial issues." Vision Banco reports USD 1 billion in total assets, a gross loan portfolio of USD 750 million, total deposits of USD 778 million, return on assets of 1.6 percent and return on equity of 18 percent. October 5. 2015

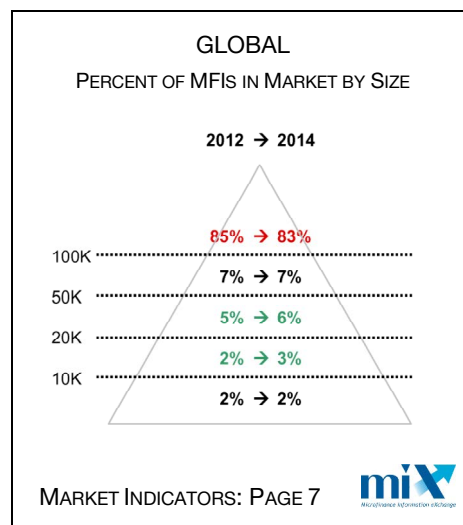
Deutsche Bank Raises \$100m for EFSE

Deutsche Bank, a Germany-based financial services firm, recently announced that it raised USD 100 million from unspecified private investors for the European Fund for Southeast Europe (EFSE), a Luxembourg-based microfinance investment vehicle. The funds will be used to place "long-term" investments in microfinance institutions for on-lending to micro-, small and medium-sized enterprises as well as to low-income households to facilitate the purchase and modernization of housing in Eastern and Southeastern Europe. EFSE reports a gross loan portfolio equivalent to USD 1 billion. September 18. 2015

India's Bandhan Sets Deposit Rates at 4.25% to 8.5%

Bandhan Bank, an Indian commercial bank focused on microfinance, recently announced that it plans to open 14 branches in southern India, including one each in the cities of Bengaluru, Koramangala and Bannerghatta. The bank, which recently began accepting deposits, also fixed interest rates for savings accounts at 4.25 percent per year for amounts below the equivalent of USD 1,500 and 5 percent for larger balances. Interest rates range as high as 8.5 percent for term deposits. As MicroCapital reported in the July issue of this newspaper, Bandhan Bank had operated as a microfinance institution (MFI) since 2002 before it received a banking license and transformed into a commercial bank in August 2015. Bandhan has a loan book of USD 1.4 billion and 2,000 branches in 22 states and union territories in India. The organization collected deposits of USD 12 million on its first day of offering such accounts. September 15. 2015

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MICROCAPITAL BRIEFS

Tufts Fletcher School Offers Financial Inclusion Fellowships

The Fletcher School, the graduate school of international affairs at US-based Tufts University, is offering representatives of regulatory authorities and policy-making institutions from developing countries the opportunity to participate in nine-month fellowships within its Leadership Program for Financial Inclusion. Applications may be submitted through November 16, 2015, and the program is scheduled to start on May 1, 2016. The application can be found at: <http://fletcher.tufts.edu/FinancialInclusion/Admissions#guidelines>. October 10, 2015

EBRD, EU Extend Small Business Initiative to Turkmenistan

The UK-based European Bank for Reconstruction and Development is expanding the Small Business Initiative, a program that provides loans and technical assistance to support small and medium-sized enterprises (SMEs), to Turkmenistan. The three-year effort includes the provision of “business advice” to 100 SMEs with the aim of increasing their competitiveness and access to funding. The program includes a grant equivalent to USD 2.8 million funded by the EU. October 9, 2015

AFD, Kredit, LOLC, VisionFund Finance Solar in Cambodia

Kredit Microfinance Institution, a Cambodian microbank; LOLC Micro Credit, the microfinance arm of Sri Lanka's Lanka Orix Leasing Company (LOLC); and VisionFund International, a microfinance investor owned by US-based Christian nonprofit World Vision, recently agreed to partner with the French government's Agence Francaise de Developpement to provide loans for the purchase of home solar panels in Cambodia at a monthly interest rate of 2 percent. Due to quality concerns, the loans will be contingent on the certification of the solar systems to be purchased. Neither details on the certification process or the scale of the lending have been released. October 9, 2015

Vision Microfinance Funds Disburse \$7m in Asia, Kenya

During September, Austria's C-Quadrat Asset Management issued loans worth the equivalent of USD 7 million via the Dual Return Fund - Vision Microfinance and Dual Return Fund - Vision Microfinance Local Currency to unspecified microfinance institutions (MFIs) in Armenia, Cambodia, Kenya, Kyrgyzstan and Uzbekistan. Of this total, the firm invested USD 4 million in an MFI based in Andijan, Uzbekistan, that was launched in 1991 and reportedly “complies with strict consumer protection regulations” and “offers attractive employment conditions.” The Dual Return Funds were created in 2006 and report combined assets of USD 270 million under management. C-Quadrat Asset Management is a unit of Austrian fund group C-Quadrat, which manages assets valued at USD 6.1 billion. October 7, 2015

\$133k Fund for Youth-owned Enterprises Launches in Kenya

The Safaricom Foundation, a charity funded by the Kenya-based telecommunications company Safaricom Limited, recently launched a “revolving fund” that is intended to assist youth-owned businesses in Kenya. Junior Achievement (JA) Kenya, an arm of the US-based nonprofit JA that works to equip Kenya's youth with entrepreneurship and business skills, and Hand in Hand Eastern Africa, a Kenya-based NGO that strives to reduce poverty through job creation and enterprise development, will manage lending from the fund and offer business training to borrowers. At the recent launch ceremony of the fund in Nairobi, Safaricom Foundation Chairman Joseph Ogotu stated that Safaricom has committed the equivalent of USD 133,000 for a one-year pilot phase of the project, which will be initiated in the counties of Busia, Homa Bay, Kajiado, Mombasa, Nairobi and Nakuru. September 29, 2015

Orix Boosts Stake in Cambodia's Acleda to 12%

The Orix Corporation, a financial services provider based in Japan, recently acquired a 6.25-percent equity stake in Acleda Bank, a commercial bank headquartered in Cambodia that provides deposits and microcredit in Cambodia, Laos and Myanmar. If approved by the National Bank of Cambodia, the country's central bank, Orix's total stake in Acleda will increase to 12.25 percent. This additional investment will give Orix a seat on the microbank's board of directors. The source of the newly issued shares has not been disclosed. Acleda reports total assets of USD 3.6 billion, a loan portfolio of USD 2.3 billion and deposits of USD 2.3 billion. September 28, 2015

Islamic MFIs Offer Progression from Grants to Loans in Indonesia

Perhimpunan Baitul Maal wat Tamwil (BMT) Indonesia, a cooperative coordinating 150 of Indonesia's microfinance institutions that employ the BMT model of Islamic finance, is implementing a three-stage financial empowerment program that aims to benefit low-income individuals in the country. In the first stage, individuals receive non-repayable grants to help them earn a living by starting their own business activities. Those who successfully complete the first stage “graduate” to no-interest loans. The third stage involves larger commercial loans. September 26, 2015

Kiva Winding Down Kiva Zip in Kenya

Kiva, a US-based microfinance fundraiser, recently announced that it is winding down the Kenyan operations of its peer-to-peer microfinance lending platform Kiva Zip. Since its inception in 2012, Kiva Zip enabled users to lend directly to microentrepreneurs in Kenya and the US. Kiva Zip collected funds from 8,000 individual lenders and disbursed the equivalent of USD 1.8 million in local currency to 6,500 borrowers in Kenya. In explaining the shutdown, Kiva Senior Director Jonny Price cites a declining repayment rate and “delays in both loan disbursement and repayment processing [that have] kept borrowers waiting for loans and lenders waiting on notification of repayment.” The US operations of Kiva Zip will continue. Since 2005, Kiva has raised a total of USD 755 million that has been disbursed by 269 microlenders in 83 countries. Most of Kiva's loans differ from those through Kiva Zip in that they are intermediated by microfinance institutions. September 24, 2015

EBRD Loans \$13m to Kyrgyzstan's Optima Bank for MSMEs

The UK-based European Bank for Reconstruction and Development recently announced that it will loan the local-currency equivalent of USD 13 million to Optima Bank, a commercial bank in Kyrgyzstan. The credit package will include a term loan of USD 11 million that will be on-lent to micro-, small and medium-sized enterprises and a trade finance line of USD 2 million for Optima to support its corporate borrowers in participating in international commerce. Optima reports total assets equivalent to USD 213 million, a gross loan portfolio of USD 35 million and deposits of USD 33 million. September 23, 2015

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Please refer to <http://MicroCapital.org> for information sources for all briefs. MicroCapital recognizes the individuals at CGAP, the Microfinance Gateway and the Microfinance Information Exchange for their outstanding work disseminating information on microfinance. Thank you!

IFC to Advise Myanmar on Regulation, SMEs, Financial Inclusion

The International Finance Corporation (IFC), the private-investment arm of the US-based World Bank Group, recently agreed to advise Myanmar's Ministry of Commerce on how to "ease doing business for small and medium-sized enterprises (SMEs) in the country." With the support of the governments of Australia, Japan and the UK, IFC also will cooperate with Myanmar's Trade and Business Task Force to streamline regulations for establishing SMEs, accessing credit and enforcing contracts. Thirdly, IFC will provide unspecified investment in Myanmar's financial sector in an effort to improve access to microfinance and funding for SMEs. September 21. 2015

UN's FAO, MasterCard Launching Payment System for Refugees

The UN's Food and Agriculture Organization and MasterCard, a US-based payments and technology company, recently partnered in an effort to deliver money and credit for products such as "basic needs" and farming tools to small-scale farmers and low-income households in developing countries. The first iteration of the project is planned for Kenya's Kakuma refugee camp, where families will receive prepaid cards to buy charcoal that has been produced "in a sustainable, environmentally-friendly way." This is intended to increase the incomes of nearby permanent residents, thereby reducing tensions between them and the newcomers. MasterCard also plans to contribute improved charcoal-making kilns to 1,240 local households and energy-efficient stoves to 7,000 refugee households. September 21. 2015

Thailand's JMT Launches JP Finance in Myanmar

JMT Network Services, a Thai lender and debt collector controlled by Jay Mart, recently announced that it will work with unspecified partners to establish a joint venture, JP Finance, to offer microfinance in Myanmar. The firm will have registered capital worth the equivalent of USD 570,000, and 70 percent of its shares will be owned by JMT. JMT reports total assets of USD 62 million. September 17. 2015

Nigeria Grants National Microfinance License to Fortis

The Central Bank of Nigeria (CBN) recently granted a microfinance banking license to Fortis Microfinance Bank, which was licensed as a financial institution by CBN in 2007 and was listed on the Nigerian Stock Exchange in 2012. Fortis Chairman Felix Achibiri stated that with this new license, "Fortis will be driving the Central Bank of Nigeria's financial inclusion programme across the country by providing financial services to all the states of the federation," expanding its service area beyond Abuja and the northern part of the nation. Fortis reports total assets equivalent to USD 84 million and return on equity of 10 percent. September 17. 2015

Ethmar to Offer Sharia-compliant Microfinance in Jordan

Queen Noor of Jordan, the founder and chairperson of the King Hussein Foundation, recently announced the launch of Ethmar, a microfinance institution whose products are compliant with Shariah, the Islamic legal system, which eschews conventional interest payments in lieu of concepts such as the sharing of profit and loss. The King Hussein Foundation was established in 1999 by royal decree to support human development in Jordan. The scale of the investment in Ethmar has not been released. September 15. 2015

ADB Loans \$400m for Financial Market, Inclusion in Indonesia

The Asian Development Bank (ADB), a Philippines-based multi-lateral finance institution, recently committed to loaning USD 400 million to Indonesia for efforts including to: (1) increase the percentage of the poorest members of the population who use financial services; (2) "promote financial system stability;" and (3) assist the private sector in raising capital. As part of the program, ADB will partner with Otoritas Jasa Keuangan (OJK), the country's financial services authority. While OJK was established in 2011, it has led the regulation of microfinance institutions only since January 2015. September 11. 2015



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NETWORKING WITH THE SOUTH

SPECIAL REPORT

This interview is part of a sponsored series relating to European Microfinance Week, which is held each November by the European Microfinance Platform (e-MFP), a 120-member network in Luxembourg. MicroCapital will report live from the event.

European Microfinance Week

MicroCapital: Would you please discuss this year's focus on sustainable development?

Anne Contreras: Given the recent adoption of the UN Sustainable Development Goals, this issue is particularly relevant. The plenary on "Sustainable Development Goals and financial inclusion" will address the topic directly. Breakout sessions will also cover related topics: How can we implement clean cooking options to decrease mortality and mitigate air pollution? How can practitioners bundle finance and training to serve farmers? What can networks do in these areas?

MC: Is there a plenary session that you'd like to tell us about?


AC: I'm particularly excited by the opening plenary, "Assessing Limits: Towards Sustainable Growth in Microfinance." It will feature speakers from the two most prominent studies of market sustainability, Microfinance in Crisis and MIMOSA, along with two investors who are focused on the issue from different perspectives - Klaus Tischhauser from responsAbility and Tanmay Chetan from Agora.

MC: Would you please tell us about a topic that a first-time speaker will be covering?

Christoph Pausch: It's a hard choice, as we have quite a few new faces this year. I'm particularly looking forward to the presentation of Francis Vazheparambil, the CEO of Nigeria's Standard Microfinance Bank (MFB), who will be speaking on the panel "Bringing Financial Services to Underserved Markets." His organization serves remote populations in Adamawa province at the eastern border of the country - an area that is among the most financially excluded in the country. Financial institutions operate just 47 branches in the province - less than one per 60,000 inhabitants. It's also an area where the insurgency of Boko Haram caused many institutions to pull back, further reducing financial access. However, Standard MFB has been growing, including in the areas under threat from Boko Haram. I personally find Francis's story an inspiration for the sector.

MC: What would you say to someone who is unsure whether she or he should take the time to attend European Microfinance Week?

CP: European Microfinance Week is the ideal opportunity to network with 400 leading practitioners, funders, analysts, consultants and other specialists from the microfinance and inclusive finance sector. It's also a great way to keep up on the latest in the industry: subjects will include whether and how financial inclusion can foster financial stability, the role of apex organizations, bringing financial services to underserved markets, assessing impact, best practice in risk management, microfinance investment fund governance, the future of microfinance investment vehicles in maturing markets, how to comply with social and environmental governance, and the latest innovations in agri-finance. So join us in Luxembourg on November 18th through 20th; we look forward to your participation!

Anne Contreras serves as the Chair of the board of directors of e-MFP, and Christoph Pausch serves as the organization's Executive Secretary. 

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EAR TO THE GROUND

Keeping the “Ps” in P2P - Reflections on Peer-to-Peer Lending

Last week, my colleague Danielle Sobol attended a session on peer-to-peer (P2P) lending hosted by the Microfinance Club of New York. We are interested in the concept, and its promise to democratize financial transactions for borrowers and lenders alike. Direct lending between friends, family and other community members has existed since before there were banks, legal agreements and even currency. What is exciting about the latest incarnation of P2P lending is that it allows lenders and borrowers to reach way beyond their immediate community while using the same principles of trust and accountability. This widens access for underserved populations and reduces interest rates by cutting transaction costs and through increased competition among lenders.

The market is small but rapidly growing - the number of P2P loans in the US doubled each year from 2010 to 2014, when it reached USD 5.5 billion. With projections by Price Waterhouse Coopers putting this figure over USD 150 billion by 2025, it is no surprise that institutional investors want in. Banks, hedge funds and insurance and pension funds have co-opted the P2P model, using proprietary algorithms to quickly select borrowers. This is a great deal for institutional investors because they can quickly assess risk, utilize existing payment structures at low costs, and avoid minimum capital or liquidity requirements. Returns are higher than government bonds, bank CDs or savings accounts.

At the session in New York, Danielle learned that the entry of these players has resulted in lending demand overtaking the demand to borrow by an estimated 400 percent. This is disconcerting because we all know that flooding borrowers with low-interest loans has gotten the global financial market in trouble in the past. Part of the yin-yang of P2P is that lenders scrutinize borrowers to ensure that their personal investment is protected. Investors can start with small portfolios (often 8

to 10 borrowers), lending as little as USD 25 to each. However, when the lender is a big institution that repackages loans into diversified portfolios, it might place loans with little regard for the impact of potential default on the end borrower. Could this become just another way to push borrowers into larger (albeit cheaper) loans?

I recently talked to a man in Peru who had moved there a few years ago from Ireland. He owes hundreds of thousands of euros to banks in Ireland for homes he couldn't afford. He explained that his first mortgage was on his home. Then his banker offered him a no-down-payment loan on “investment” property. Shortly after, he was convinced to make an even larger investment. Six years later, he cannot afford to live in Ireland anymore. He wants to “do right” by the bank and makes minimum payments each month, but his friends tell him he should just default, since the bank itself no longer owns his debt. “Is that the way it works?” he asked me.

P2P lending is, as its name implies, an arrangement between two people. The concept is attractive, in part, because it offers a way to circumvent financial institutions. However, when the human feature is removed, the concept becomes flawed. The ageless concept of P2P lending may become just another vehicle for institutional investors to profit from consumers. Will borrowers soon be asking whether they should bother to repay their loans, since they don't know who they are repaying?

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](https://twitter.com/BarbaraatEA). 

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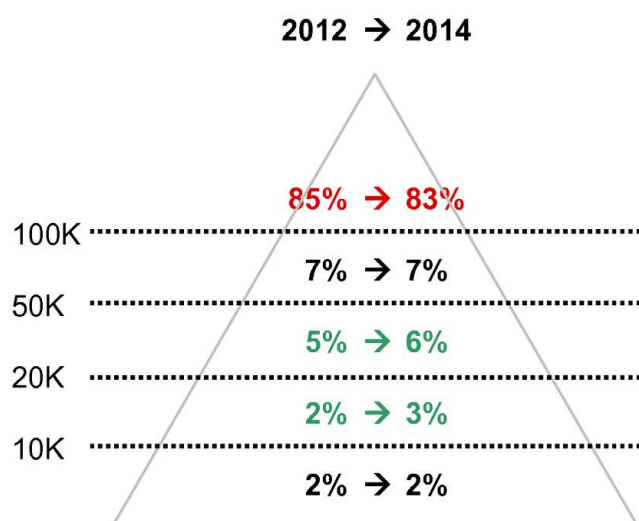


515 MICROFINANCE INSTITUTIONS (MFIs) REPORTING¹

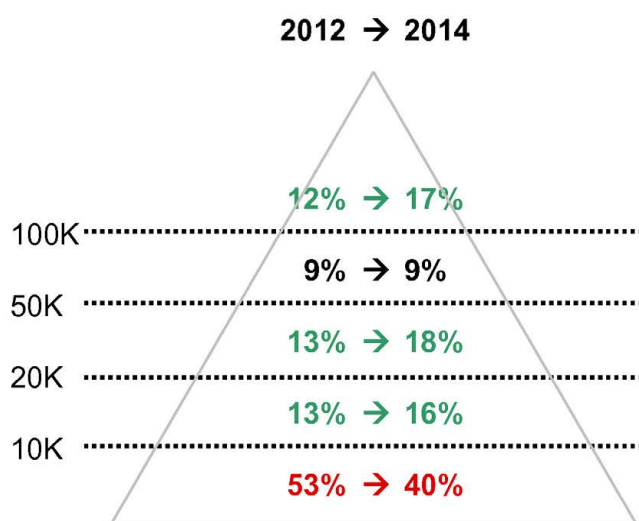
TOP MFIs BY GROWTH IN GROSS LOAN PORTFOLIO: CHANGE IN USD

MFI NAME	COUNTRY	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2012	2014
Sathapana Limited	Cambodia	95,025,830	60	121,341,881	311,393,541
Shri Ksethra Dharmasthala Rural Development Project	India	94,639,323	22	383,454,639	572,733,285
Banco Prodem	Bolivia	84,914,173	14	570,127,855	739,956,202
China Foundation for Poverty Alleviation	China	82,265,055	48	137,430,435	301,960,545
Compartamos Banco	Mexico	80,192,540	7	1,126,851,852	1,287,236,931
Vision Banco	Paraguay	72,699,984	11	604,922,549	750,322,517
Cooperativa de Ahorro y Credito Jardin Ayuazo	Ecuador	71,739,284	25	259,812,085	403,290,652
Amret	Cambodia	69,386,629	39	148,644,851	287,418,110
Grameen Koota Financial Services	India	67,804,604	55	96,517,838	232,127,046
Equitas Micro Finance	India	67,443,386	28	209,038,455	343,925,227

PERCENT OF MFIs IN MARKET BY SIZE (NUMBER OF ACTIVE BORROWERS)



MARKET SHARE BY MFI SIZE (NUMBER OF ACTIVE BORROWERS)



¹Denotes only MFIs that reported data for 2011 and 2013 to the Microfinance Information Exchange (MIX) Market

Source: MIX, October 2015

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UPCOMING EVENTS

Increasing Financial Inclusion of Smallholder Farmers

October 15 - October 16, 2015; Milan, Italy

In addition to addressing issues relating to improving the financial inclusion of small-scale farmers, this event will include the presentation of the Giordano Dell'Amore Microfinance Best Practices International Award, which includes a cash prize equivalent to USD 54,000. Although there is no fee to attend, registration is compulsory. For more information, you may visit <http://www.fgda.org/conference2015/>. Questions may be directed via email to [events\[at\]fgda.org](mailto:events[at]fgda.org) or via telephone to +39 02 89012767.

Sanabel 2015 Conference

October 20 - October 21, 2015; Sharm El Sheikh, Egypt

This conference, which is open only to Sanabel members and scholarship recipients, will address regional trends, opportunities and alternative approaches to microfinance in Arab countries. The topics to be covered include: (1) innovation and diversification of financial services; (2) how to enhance market penetration; (3) best practices for private-public partnerships; and (4) increasing awareness of client protection. For more details, you may visit <http://sanabelconf.org/>, e-mail [info\[at\]sanabelnetwork.org](mailto:info[at]sanabelnetwork.org), or call +2 02 25 37 30 23 or +2 0100 999 59 69.

Foromic (Foro Interamericano de la Microempresa)

October 26 - October 28, 2015; Santiago, Chile

This event will cover harnessing policy, data and investment and various innovations to support micro-, small and medium-size enterprises in support of macroeconomic development. The fee to attend is USD 600. For more details, you may contact José Ignacio Ramírez Barba at [ignacio.ramirez\[at\]cofsa.com.mx](mailto:ignacio.ramirez[at]cofsa.com.mx) or visit <http://www.fomin-events.com/foromic/2015/web/>. No telephone number is offered.

Asia-Pacific Financial Inclusion Summit 2015

October 27 - October 29, 2015; Manila, the Philippines

Themed "Accelerating Financial Inclusion to Enable Economic Progress," this summit will address issues including: (1) "What are the key measures required to accelerate financial inclusion?"; (2) "How can these efforts achieve maximum impact?"; (3) "What role can financial services providers play in driving economic progress?"; and (4) Effects of the spread of digital technology on the field of financial services. The standard registration fee is USD 750 with various discounts offered. For additional information, you may visit <https://live.ft.com/Events/2015/Asia-Pacific-Financial-Inclusion-Summit-2015>, call +852 2905 5515 or email at [fininclusionsummit\[at\]ft.com](mailto:fininclusionsummit[at]ft.com).

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11th International Microinsurance Conference

November 3 - November 5, 2015; Casablanca, Morocco

SRI Conference on Sustainable, Responsible, Impact Investing

November 3 - November 5, 2015, Colorado Springs, USA

18th Annual MFC Conference

November 5 - November 6, 2015; Prague, Czech Republic

The Power of Savings Groups

November 10 - November 12, 2015; Lusaka, Zambia

Making Finance Work for Women Summit

November 11 - November 12, 2015; Berlin, Germany

Africa SME Champions Forum

November 17 - November 18, 2015; Nairobi, Kenya

TBLI Conference Europe 2015

November 19 - November 20, 2015; Zurich, Switzerland

European Microfinance Week

November 18 - November 20, 2015; Luxembourg

Global Islamic Microfinance Forum

November 24 - November 25, 2015; Kuala Lumpur, Malaysia

Africa Finance and Investment Forum

November 24 - November 26, 2015; Cape Town, South Africa

Inclusive Finance India Summit

December 8 - December 9, 2015; New Delhi, India

Cracking the Nut: Regenerating Rural & Agricultural Development

March 1 - March 2, 2016; Washington, DC, USA

Latin American Microinsurance Summit 2016

March 29 - March 30, 2016; Miami, Florida, USA 🇺🇸



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PAPER WRAP-UPS

Symbiotics 2015 Microfinance Investment Vehicles (MIV) Survey Report: Market Data and Peer Group Analysis

Published by the Symbiotics Group, 2015, 45 pages, available at <http://www.syminvest.com/papers/ed4710d3-cd20-4366-ad75-095f2b3adffe>

This ninth annual microfinance investment vehicles (MIVs) survey covers both financial performance, such as growth, risk, return, cost structure, efficiency and funding patterns, as well as social performance, such as commitment to environmental, social and governance (ESG) practices. The dataset includes responses from 84 funds holding aggregate total assets of USD 10 billion, representing 96 percent of the MIV market. The term “benchmark” is used to refer to this sample population.

The survey indicates that MIVs’ total assets grew at a rate of 13 percent, and their microfinance portfolios grew by 16 percent during 2014. The authors describe the microfinance investment market as having remained “concentrated,” as the top five MIVs maintained the same market share of 45 percent as in the previous year. MIVs tended to focus on “large” microfinance institutions, those that held total assets of USD 100 million or more, with 59 percent of their microfinance portfolios invested into such institutions compared with 6 percent invested into those with total assets lower USD 10 million. Direct debt remained the dominant form of investment, representing 83 percent of MIVs’ aggregate microfinance portfolio. The weighted average yield on direct debt portfolios was stable at 6.8 percent as compared with 6.9 in 2013.

In line with previous years, Eastern Europe and Central Asia (EECA) remained the region attracting the greatest portion of investment, totaling 38 percent of aggregate direct microfinance portfolio. Cambodia received the most funding, at 8 percent of MIVs’ total direct commitment, while the top 10 countries accounted for a total of 52 percent. The portion of MIVs’ portfolios invested in areas other than microfinance, such as small and medium-sized enterprises, education, healthcare, agriculture and housing, amounted to USD 7.9 million, representing 7 percent of MIVs’ total assets.

The authors’ ESG analysis finds MIVs’ portfolio companies financed end-clients with an average loan size of USD 1,622, the lowest in 5 years; 58 percent of microfinance borrowers had voluntary savings; and the Client Protection Principles, a set of standards

that govern the practices of microfinance businesses, were endorsed by 99 percent of MIVs in the benchmark and 1,600 microfinance investees. The rates of reporting of ESG practices to investors and the adoption of anti-corruption policies both increased slightly since 2013, from 83 to 84 percent of MIVs for the former and 84 to 89 percent for the latter. Still, when disbursing a loan to an investee, only 43 percent of MIVs actually disclosed the total annual cost that the investee will incur as a single percentage figure.

The second section of the survey presents a peer-group analysis dividing the MIVs into 49 fixed-income, 21 mixed/hybrid and 14 equity funds. Fixed-income funds grew in terms of both total assets (15 percent) and microfinance portfolio (18 percent). Mixed funds showed growth rates of 5 percent and 11 percent, respectively; while equity funds showed growth rates of 16 percent and 7 percent, respectively. As in previous years, Latin America and the Caribbean (LAC) and EECA were the prime regional targets of fixed-income and mixed/hybrid funds, while LAC and South Asia were targeted most by equity funds. Although the majority of funding was placed in EECA, the largest portion of microfinance investees was located in LAC (36 percent).

In terms of funding sources, more than 50 percent of MIVs’ aggregate capital was financed by private institutional investors. Public-sector investors increased their participation by 17 percent year-on-year, claiming 32 percent of total MIV funding as of 2014. The average management fee and total expense ratio were reported to be stable, showing no change in the former at 1.4 percent and, in the latter, a slight decrease from 2.4 percent in 2013 to 2.3 percent in 2014. In terms of financial performance, unleveraged fixed-income funds showed an increase in net return for USD share classes of 3.4 percent on a weighted average basis, compared with 2.4 percent in 2013. The return on equity for leveraged vehicles denominated in USD notes decreased from 2.6 percent in 2013 to 2.2 in 2014.

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Doing Digital Finance Right: The Case for Stronger Mitigation of Customer Risks

By Katherine McKee, Michelle Kaffenberger, Jamie Zimmerman; published by CGAP (Consultative Group to Assist the Poor); June 2015; 40 pages; available at: <http://www.cgap.org/publications/doing-digital-finance-right>

The authors of this paper report that digital financial services (DFS), which allow the use of cellular devices to send and receive payments, are expanding in emerging markets but remain underutilized due to consumers’ perceived risks. To address this issue, the authors seek to offer DFS providers with a consumer perspective and to promote risk mitigation practices.

As of 2015, approximately 120 mobile financial service companies serve 300 million people in developing markets. DFS accounts outnumber bank accounts in 16 countries.

The authors cite evidence from research in 16 markets to identify seven consumer risk areas: (1) inability to complete transactions due to network downtime; (2) insufficient agent liquidity; (3) complex user interfaces; (4) consumer fraud; (5) lack of recourse for fraud victims; (6) lack of transparency in fees and other terms of service; and (7) inadequate data protection. Those surveyed stated that user interfaces were difficult to operate, with some fearing costly mistakes from keystroke errors. Furthermore, customers cited inadequate channels for recourse in cases of fraud, vulnerability to agent misconduct, and concern over hidden fees and other unclear terms.

The report identifies five priorities for DFS providers to sidestep these obstacles: (1) improve service reliability through regular network system testing; (2) create a more user-friendly interface that reduces exposure to keystroke errors; (3) develop more stringent agent management and oversight practices; (4) combat consumer fraud by increasing awareness of phishing, fraud and identity theft; and (5) improve channels for customer recourse. 