

MICROCAPITAL BRIEFS | TOP STORIES

Greenlight Planet Secures \$90m for Pay-as-you-go Solar

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

Executives of Uganda Microfinance Support Centre Jailed

Three employees of the Ugandan government's Microfinance Support Centre recently were released on bail after being held in prison on charges relating to the theft of the equivalent of USD 2.9 million that had been supplied by the Ugandan government for disbursement to the Uganda Teachers' Cooperative Savings and Credit Union. A member of the cooperative was also held. The allegations consist of embezzlement and conspiracy to defraud, which carry maximum prison terms of 14 years and 3 years, respectively. The accused denied all charges against them during a recent joint court appearance. September 24, 2020

Fintech Supersim Raises \$6m in Debt for Microfinance in Brazil

Supersim Análise de Dados e Correspondente Bancário, a Brazilian financial technology startup, recently entered into a securitized debt agreement with a cap equivalent to USD 5.7 million, arranged by Navi, a Brazil-based asset manager. Supersim was founded in 2019 and offers collateral-free microloans as well as loans using mobile phones as collateral. Meanwhile, CEO Antonio Brito explains that Supersim "recently launched a fast-funding feature, where we deposit the loan proceeds in customers' bank accounts within 30 minutes or less after approval or we do not charge interest." The firm's loans are all digital and range in term from 4 months to 12 months. Each customer pays a registration fee of USD 75 before receiving her or his first loan. Data indicating the size of the firm are unavailable. September 20, 2020

Retail Capital Raises \$7m for Merchant Advances in South Africa

Retail Capital, a provider of cash advances and asset financing to small businesses in South Africa, recently signed on to a credit line equivalent to USD 6.8 million arranged from an unspecified international investor by Verdant Capital. Verdant, a Mauritius-based corporate finance firm, reports that since the COVID-19 pandemic, about 90 percent of Retail Capital's clients have been authorized to reopen. Meanwhile, "The business continues to have a strong balance sheet... [and] adequate capital to see it through the COVID-19 crisis." Retail Capital, which was founded 10 years ago, provides asset financing for terms of 1 to 5 years as well as merchant cash advances to firms with monthly turnover of at least USD 1,800. As of 2018, the firm had total assets of USD 24 million. September 17, 2020

Insurtech PasarPolis of Indonesia Raises \$54m in Equity

Indonesian insurance technology firm PasarPolis recently closed its Series B round of investment, raising a total of USD 54 million from nine investors. The firm plans to use the new funding to: (1) develop a claims-automation platform that harnesses artificial intelligence; (2) develop new products; and (3) grow its agent-onboarding platform Mitra. In addition to Indonesia, PasarPolis provides insurance to underserved customers in Thailand and Vietnam. PasarPolis sells policies, such as vehicle and health insurance, as a broker for 30 insurers. The firm's own offerings include protection for: (1) customers' online purchases; (2) small businesses' inventory in case of damage or loss; and (3) the health of ride-share drivers and passengers in case of accidents. PasarPolis, which was founded in 2015, issued 650 million policies during 2019. Its investors are listed at <https://microcapital.org>. September 16, 2020

Sri Lanka Planning Mergers of Most NBFIs

The Central Bank of Sri Lanka is working on a plan to merge troubled non-banking financial institutions (NBFIs) in the country with stronger firms, given that "nearly half of the sector face[s] severe liquidity issues." Central Bank Governor W D Lakshman reportedly argued the plan is necessary "to ensure stability in the financial sector of the country." As proposed, the program would reduce the number of finance and leasing NBFIs from 46 to approximately 20. September 8, 2020

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Next Month:

10 Years of Lessons Learned from
Omrix's Higher Education Finance Fund



WE WISH YOU HEALTH!

We recognize the significant health and business impacts that COVID-19 is having on communities around the world. Thank you for your efforts to minimize the risks that we all are facing. While each of us at MicroCapital is lucky enough to be able to work from home, we understand that not all of our colleagues are able to do so. We wish you and your loved ones good health and resilience during this time.

MICROCAPITAL BRIEFS

IDB Loans \$750m to BNDES to Support MSMEs in Brazil

The Inter-American Development Bank, whose membership comprises 48 nations, recently loaned USD 750 million to Banco Nacional de Desenvolvimento Econômico e Social (BNDES), the Brazilian government's development bank, to support micro-, small and medium-sized enterprises (MSMEs) that have seen significant drops in revenue during the COVID-19 pandemic. The loan is expected to enable on-lending to 11,000 MSMEs via accredited retail financial institutions, for both working capital and the "acquisition of production-oriented assets." BNDES has total assets equivalent to USD 132 billion. September 29, 2020

Abyssinia ITMs Allow for Remote Account Opening in Ethiopia

Bank of Abyssinia, a financial services provider in Ethiopia, recently introduced five interactive teller machines (ITMs) that allow customers to open or close accounts, apply for loans, access tellers via video, transfer funds within Ethiopia, and withdraw and deposit cash. "In the future, these machines will enable customers to receive cash sent through international money transfer agents," said Bekalu Zeleke, President of Bank of Abyssinia. The ITMs were manufactured by NCR Corporation, a US-based company with quarterly revenue of USD 1.5 billion. Founded in 1996, Bank of Abyssinia serves 2.8 million customers via 532 branches and 114 automated teller machines (ATMs). The institution reports total assets equivalent to USD 1.1 billion. September 28, 2020

Easypaisa Adding Cashpoints at 12k NADRA Offices in Pakistan

Easypaisa, a digital payment platform owned by Pakistan's Telenor Microfinance Bank, recently partnered with government-backed National Database and Registration Authority (NADRA) Technologies, to enable Easypaisa customers to access services at 12,000 NADRA "e-sahulat" locations, which offer cash-in and cash-out services for electronic transactions. The head of branchless banking at Easypaisa, Khurram Malik, said, "Effective collaborations are the ideal way forward to extend our services...to make digital payments simple and conveniently accessible for everyone, while also improving financial inclusion ratios...". Meanwhile, Norway's Telenor Group, which holds a 49-percent stake in Telenor Microfinance, and China's Ant Group, which owns 45 percent of the microbank, increased their commitments to the firm with equity investments totaling USD 45 million. Telenor Microfinance serves low-income customers online and via 150,000 agents with products such as loans, money transfers, bill payment, savings and insurance. September 27, 2020

Greenlight Planet Secures \$90m for Pay-as-you-go Solar

Greenlight Planet, a social business with offices in India, Kenya and the US, recently secured USD 90 million in debt and equity to expand its sales of pay-as-you-go solar products. The investors are ARCH Emerging Markets Partners via its Africa Renewable Power Fund, CDC Group, FMO, Global Partnerships, Norfund, responsAbility, SIMA and Symbiotics. The CEO of Greenlight Planet, T Patrick Walsh, explained, "We are expanding access to consumer financing, making basic solar power available to all people, at a cost as low as USD 0.15 per day." Under its Sun King brand, Greenlight Planet sells lighting, phone chargers, radios, fans and other products in 62 countries via a network of 100 distributors. These distributors offer payment plans spanning approximately seven months, with payments collected via mobile money. Greenlight Planet, founded in 2006, reports its products are in 5.3 million off-grid homes and have "saved over USD 3.4 billion on fossil-fuel based energy costs, reducing global greenhouse gas emissions by more than 14 million metric tons." September 25, 2020

Swedfund to Loan \$12m to SunFunder for Solar Energy

The Swedish government's Swedfund recently pledged an investment of USD 12 million to the Solar Energy Transformation (SET) Fund, an offering of Kenya-based SunFunder. SET is a nine-year, USD 70 million debt fund that aims to increase access to solar electricity, mainly in Africa. Swedfund's CEO Maria Håkansson expressed her support of the move "to provide capital to a fund with an outspoken strategy to invest their way through the COVID-19 pandemic at a point in time where the general interest for investments in developing countries is expected to decrease." Founded in 2012, SunFunder has disbursed loans totaling USD 152 million as of 2019. September 23, 2020

Isbank Georgia, IFC Agree on Cross-currency Interest Swaps

Isbank Georgia, a subsidiary of the Turkish bank Türkiye İş Bankası, recently agreed to accept a "long-term" loan from IFC, a member of the World Bank Group, and for the two organizations to participate in cross-currency interest swaps. Hakan Kural, the Deputy CEO of Isbank, said the loan will help small and medium-sized enterprises "become more competitive and generate employment. Execution of interest rate and cross-currency swaps will enable us to manage our assets and liabilities better, which in turn will increase benefits for our customers and shareholders." Launched in 2012, Isbank reports share capital of USD 21 million, total assets of USD 93 million and a net quarterly loss of USD 531,400. Türkiye İş Bankası has total assets of USD 75 billion and operations in six countries. September 22, 2020

IIV Lends \$68m in El Salvador, India, Panama

Invest In Visions (IIV) Mikrofinanzfonds, a fund managed by Germany's IIV, recently loaned a total of USD 32 million to unidentified microlenders in El Salvador and Panama, the equivalent of USD 30 million to Asirvad Microfinance of India, and USD 6 million to Sonata Finance of India. Asirvad Microfinance, a subsidiary of Manappuram Finance Limited, was founded in 2007 and lends to women for microbusiness as well as small and medium-sized enterprise. The lender has USD 679 million in total assets. Sonata Finance, founded in 1995, also lends to low-income women and has total assets of USD 211 million. September 17 and September 22, 2020

Kåpan, Nordea, Skandia Invest \$91m via DWM

Developing World Markets (DWM), a US-based fund manager, recently raised USD 90.4 million to "provide local-currency debt financing to benefit low-income communities and micro-, small and medium enterprises" in developing countries. The target beneficiaries include minority- and female-owned and operated businesses in sectors such as "sustainable" agriculture, housing, education, health, renewable energy, and water and sanitation. This funding comes from three Sweden-based insurance and pension firms, Kåpan Pensioners, Nordea Life & Pensions and the Skandia Mutual Life Insurance Company. DWM, which was founded in 1994, has approximately USD 2 billion of private debt and private equity deployed in "impact-oriented enterprise" in 40 developing countries. September 21, 2020

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Please refer to <http://MicroCapital.org> for the sources of all information appearing in this publication. Among these, MicroCapital recognizes CGAP's FinDev Gateway for its outstanding work disseminating information on financial inclusion. Thank you!

Beneficial Returns Invests in Ananas Anam, Buyer of Ag Waste

Beneficial Returns, a US-based, mission-driven investor, recently lent UK-based textile manufacturer Ananas Anam an undisclosed amount of capital to install five decorticators for “extracting the cellulose fibers from leaves” that pineapple farmers would otherwise burn as waste. Once extracted, the farmers “with a little training... can process tons of these fibers [thus] generating substantial additional income” by selling them to Ananas Anam. The firm further processes the fiber to make Pinatex, a textile that can be used in place of leather. This reduces pollution from farmers burning waste as well as from “the notoriously dirty leather industry.” Ananas Anam, which was founded in 2013 to develop Pinatex, recorded 2019 revenue of USD 1.57 million. September 21, 2020

HEFF Closing After 10 Years of Lending for Education in LAC

The Higher Education Finance Fund (HEFF), which was launched in 2011 by Costa Rica-based Omtrix, recently completed disbursing its volume of USD 30 million to microfinance institutions serving low-income households in Latin America and the Caribbean. The objective of the fund, which reached seven countries, was to support youth in accessing higher education as well as assisting in the diversification of the financial-inclusion sector. In addition to providing financial resources, HEFF had a technical assistance component for activities such as training loan officers in education lending. End-borrowers were given access to financial education and academic counseling, and they were required to pursue degrees deemed in-demand. September 21, 2020

David Lecoque Named CEO of Alliance for Rural Electrification

David Lecoque is taking the position of CEO at the Alliance for Rural Electrification (ARE), a Belgium-based NGO promoting decentralised renewable energy. Previously, Mr Lecoque served as head of ARE's policy and business development department for six years. From 2011 to 2014, he was a lawyer specializing in environmental energy affairs at two law firms in Brussels. September 20, 2020

Fundacion Kodea of Chile Wins \$100k Award for Tech Training

The Inter-American Development Bank (IDB), whose membership comprises 48 nations, recently announced that Fundacion Kodea of Chile is the first-place winner of the 2019-2020 JK Visionaries Award for “fostering inclusion, promoting equality [and] increasing citizen engagement.” IDB has run the contest, which includes a top prize of USD 100,000, every two years since 2009. Information on the other organizations placing in this year's and previous contests may be found at <https://www.iadb.org/en/premio-juscelino-kubitschek/previous-winners>. Kodea won for enabling “more inclusive technological development by helping to develop computer skills in groups that lack them.” Among Kodea's projects are: (1) a contest for children in primary school who create technology-influenced solutions; and (2) the Women Programmers skills-training and coaching project. September 18, 2020

India-UN Fund to Provide \$850k for Index Insurance in Fiji

The government of India and the UN Office for South-South Cooperation, through the India-UN Development Partnership Fund that they co-manage, recently agreed to contribute the equivalent of USD 850,000 to implement the Developing Climate Disaster Risk Financing Framework and Parametric Insurance program in Fiji. The funding is intended to mitigate the economic fallout of extreme climate and weather conditions by creating “index-based insurance and other climate-disaster risk-financing instruments for individuals, businesses and organizations...”. Index insurance is a mechanism by which covered individuals are reimbursed for losses when weather or other conditions exceed pre-established limits, rather than based on the losses of individuals. September 16, 2020

Grameen Credit Agricole Lends \$2.4m to Microinvest of Moldova

The Grameen Credit Agricole Foundation, whose head office is in Luxembourg, recently loaned local currency equivalent to USD 2.4 million to Microinvest, a microlender in Moldova. Microinvest offers collateral and collateral-free loans for business, agriculture, housing, vehicles and consumption. These loans range in size from USD 120 to USD 240,000, with terms of 3 months to 7 years. Microinvest has a portfolio of USD 114 million outstanding to 35,000 clients, about two thirds of whom live in rural areas and half of whom are women. Microinvest is majority held by the Balkan Financial Sector Equity Fund. The Romania-based Banca Transilvania Financial Group was seeking regulatory approval to acquire Microinvest as of February, but the transaction has been delayed by the COVID-19 pandemic. September 16, 2020

Mexico, Nepal Unexpectedly Notch Increased Remittances

Contrary to many observers' predictions regarding the economic effects of the COVID-19 pandemic, residents of Mexico and Nepal have received increasing amounts of remittances from family members living abroad. During July 2020, USD 3.5 billion in remittances entered Mexico, a 7-percent increase from one year earlier. This figure is the third-highest level ever recorded. According to Alberto Ramos, an economist with US-based Goldman Sachs, possible reasons for the increase include, “generous wage/income support fiscal transfers in the US, a very competitive MXN/USD level, and a deep contraction of activity and employment in Mexico.” Meanwhile remittances to Nepal totaled the equivalent of USD 861 million during July. This is a resurgence after a drop from USD 675 million in March to USD 294 million in April. To explain the rebound, Suman Pokharel, the CEO of Nepal-based International Money Express said, “Migrants may have sent what is remaining of their savings from their bank accounts...”. September 16, 2020

MICROFIN

Operational Planning for MFIs

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Indian Microlenders Upgrade Credit Tools, Reporting Frequency

The Code for Responsible Lending (CRL), an initiative serving microlenders in India, recently began developing a new credit assessment tool for evaluating loan applications from low-income households. The tool is intended to help lenders “go beyond multiple/over lending limits and more systematically evaluate the low-income customer vis-a-vis cash-flows, leverage and repayment history, including use of comprehensive credit information report[ing] (CCIR).” CCIR includes the evaluation of positive data from non-lenders, such as utility bills paid on time. As part of the CRL effort, participating microlenders will send data to credit information companies more often, gradually moving toward the target of daily submissions. CRL was launched by three self-regulatory organizations, the Finance Industry Development Council, the Microfinance Institutions Network and Sa-Dhan. September 15, 2020

Amazon Launches Digital Insurance, Gold Investing in India

Amazon, a US-based retailer and technology company, recently broadened the services it offers in India to include auto insurance sold via the Amazon Pay digital wallet and gold investment products sold through SafeGold, a service of Digital Gold India that allows its users to buy and sell gold online. Amazon launched Amazon Pay in India in 2016 and “has since introduced a credit card, signed up to a state-backed payments network, and [rolled out a service that] processes payments for movie and flight tickets as well as telephone utility bills.” Niren Shah, the lead in India for US-based Norwest Venture Partners, was quoted as saying, “It is likely that the next step for Amazon would be to distribute exchange-traded funds and mutual funds.” Amazon reports quarterly net income of USD 5.2 billion on USD 89 billion in sales. September 15, 2020

Stonestep Developing Telehealth, COVID-19 Insurance in Nepal

The Swiss Capacity Building Facility (SCBF), a public-private partnership, recently announced its funding of the Nepalese unit of Switzerland-based insurance technology company Stonestep to build a product merging COVID-19 insurance and telehealth consultations. Customers of the service will be able to access digital health resources as well as physician consultations via phone from healthcare service company Top Doctors Online (TDO) Nepal. While the Stonestep service will also include “risk protection” related to COVID-19, details on this element have not been released. Stonestep will market the product to first-time insurance buyers through Nepal-based DigiPay Mobile Money. The service will be available near the city of Kathmandu initially and then is slated for expansion into rural areas. The goal is to reach 5,000 clients by May 2021, mainly among the 50,000 clients of DigiPay and TDO Nepal. Founded in 2012, Stonestep is active in Africa, the Americas and Asia. September 15, 2020

EBRD to Guarantee Lending to SMEs by Raiffeisen Bank Albania

The UK-based European Bank for Reconstruction and Development (EBRD) recently partnered with Raiffeisen Bank (RB) Albania on a risk-sharing facility worth the equivalent of USD 59 million to allow RB Albania to increase its lending to firms of all sizes, with an unspecified portion to be directed to smaller firms. Another aim of the agreement is to help RB Albania boost its “portfolio’s risk management, risk diversification and capacity to manage more sophisticated risk profiles.” The bank is active in agribusiness as a partner of the Albanian Agribusiness Support Facility, which was founded by EBRD and the Albanian government in 2016. RB Albania is a unit of Austria-based RB International, which is active in 28 countries in Eurasia. September 13, 2020



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FMO Loans \$15m to PGMF for Women in Myanmar

The Netherlands Development Finance Company, a public-private partnership also known by its Dutch acronym FMO, recently disbursed a five-year loan of USD 15 million to Pact Global Microfinance Fund (PGMF), a microfinance institution serving women in Myanmar. The organization's "commitment to invest in business with women ownership and [its] ability to reach remote areas of the country are an important contribution to reducing inequalities in Myanmar," stated FMO Chief Investment Officer Linda Broekhuizen. PGMF was launched in 2012 to continue the microfinance operations that the US-based NGO Pact began in Myanmar in 1997. Pact, which was established in 1971, works toward social, economic and environmental goals in 38 developing countries. PGMF holds a loan portfolio of USD 368 million and also provides business training. September 10, 2020

\$6.7m Symbiotics Bond to Boost Samunnati's Ag Services in India

Symbiotics, a Switzerland-based investment company, recently launched a bond issue intended to raise local currency equivalent to USD 6.75 million for Samunnati Financial Intermediation & Services, a for-profit firm in India. The proceeds will flow to Samunnati in the form of a 3-year, senior, unsecured loan "to finance microloans up to an amount of USD 10,000 within mainly the agriculture sectors." The bond is part of the Sustainability, Social and Green Bond Framework of Symbiotics' Micro, Small & Medium Enterprises Bonds SA. Launched in 2014, Samunnati supports agricultural value chains in 19 states in India via lending to agricultural enterprises, facilitating trade relationships between agri-enterprises and producers, and technology for increasing efficiency in value chains. For the year ending March 2019, the firm reported income of USD 59 million. September 10, 2020

Sub-K Launching Platform for Insurance, Investing, Loans in India

Sub-K Impact Solutions, a subsidiary of India-based BASIX Social Enterprise Group, is releasing a digital platform called SARTHI (Seamless Advanced Resourceful Tech-driven Hybrid Interface) to facilitate access to insurance, microloans and investment services. SARTHI will place users in contact with financial services providers via mobile device, phone call or referral to a nearby staffed location. These referrals will be to Sub-K's network of branch locations and agents as well as to third-party institutions. "Sub-K's proven commitment to reaching last-mile customers, their expansive reach through their agent network and bank partnerships, and their demonstrated embrace of digital technologies made them an ideal partner...", said Victoria White, the Managing Director of Accion Global Advisory Solutions, a division of US-based nonprofit Accion. Sub-K, which was founded in 2010, facilitated the disbursement of loans totaling the equivalent of USD 479 million to 3 million customers of 10 public and private banks during the 12 months ending in July. BASIX is owned by Bhartiya Samruddhi Investments and Consulting Services (BASICS Limited), a holding company that offers consulting services for firms targeting underbanked people and enterprises in rural India. September 9, 2020

Ethiopia Allowing Foreign Borrowing, MFIs to Become Banks

The National Bank of Ethiopia (NBE), the country's central bank, recently announced it has passed directives allowing the following: (1) microfinance institutions (MFIs) to transform into banks; and (2) banks in the country to borrow from foreign banks. The directive regarding foreign investment is meant to address the "chronic foreign currency shortage the country has been facing over for many years." MFIs seeking to transform into banks must meet a set of requirements including that: (1) no regional government hold more than 70 percent of the shares of the institution; and (2) the institution holds a CAMEL (capital adequacy, asset quality, management competence, earnings and liquidity) rating of at least three out of five. September 2, 2020

Incofin Loans \$3m to Cooperativa Pacifico of Peru

Cooperativa Pacifico of Peru recently borrowed USD 3 million to expand its product menu from Incofin CVSO, which is managed by Incofin Investment Management of Belgium. Work on the transaction began in 2019, but it was delayed by the COVID-19 pandemic and "having to comply with stricter rules and assessments of a new regulator." David Dewez, the Regional Director for Latin America at Incofin Investment Management, said, "The growth of Pacifico is achieved by keeping the founding values and principles high... [including] to contribute to its financial inclusion mission." Established in 1970, Cooperativa Pacifico provides financial services to households as well as micro-, small and medium-sized enterprises in Peru. Of its loans, 57 percent are in amounts under USD 10,000. Beyond loans, Cooperativa Pacifico offers services such as savings, mobile banking and collective weddings. During 2018, it generated return on assets of 11.5 percent and net income equivalent to USD 8.4 million on total assets of USD 820 million. September 2, 2020

Incofin Loans Inecobank of Armenia \$6m from MEF

Belgium-based Incofin Investment Management recently disbursed a loan of USD 6 million to Inecobank, an Armenia-based institution, from the Microfinance Enhancement Facility, a fund launched by the German government's KfW Entwicklungsbank and the World Bank Group's International Finance Corporation. The proceeds will enable Inecobank to increase its lending, which it has moved completely online due to the COVID-19 pandemic. Jan Dewijngaert, Incofin Investment Management's Regional Director for Eastern Europe & Central Asia, said Inecobank "has a long track record of strong financial performance and is consistently among the most profitable banks in Armenia.... With their mobile payment platform, which is regarded as the best in the country, they aim to increase the outreach in rural areas." Founded in 1996, Inecobank serves 500,000 individuals and companies of all sizes. During the six months ending in June, it generated after-tax profit equivalent to USD 6.6 million on total assets of USD 731 million. September 1, 2020

Banque Nationale de Cr dit Lending \$890k to FINCA Haiti

FINCA Haiti, a microfinance institution owned by US-based FINCA Impact Finance, recently opened a local-currency credit line of USD 892,000 from Haiti's Banque Nationale de Cr dit. According to FINCA Impact Finance, "This is the first locally-sourced credit line [FINCA Haiti has] obtained without a parent company credit enhancement in its 30 years of operation." FINCA Haiti will use the funds to on-lend to 50,000 microentrepreneurs and small businesses through its 12 branches in the country. FINCA Haiti was founded in 1989 and had a gross loan portfolio of USD 12 million and 52,000 clients as of 2019. FINCA Impact Finance is a for-profit entity majority-held by FINCA International, a US-based NGO formerly known as the Foundation for International Community Assistance. The 20 financial institutions of FINCA Impact Finance serve 2.7 million clients in 20 countries with 10,300 employees handling a gross loan portfolio of USD 794 million and USD 420 million in client deposits. August 31, 2020

MoneyGram, Airtel Africa Partnering on Mobile Remittances

MoneyGram International, a US-based money-transfer company serving 200 countries, recently partnered with Airtel Africa, a subsidiary of India's Bharti Airtel, to allow users of Airtel Money to receive MoneyGram remittances directly into their mobile wallets. These 19 million users in 12 countries will be able to withdraw funds they receive at Airtel Africa service locations or use the money for digital purchases of goods and services. Pending regulatory approval, the new service is to launch in late 2020. August 28, 2020



SPECIAL REPORT

This feature is part of a sponsored series on European Microfinance Week 2020, which will take place online from November 16 through November 20. The event is held yearly by the European Microfinance Platform (e-MFP). MicroCapital has been engaged to promote and report on-site from the event each year since 2012.

Saving(s) Microfinance in a Pandemic - and Beyond

Back in the distant pre-pandemic memory, e-MFP launched the European Microfinance Award (EMA) 2020 on *Encouraging Effective & Inclusive Savings*. While clearly an important topic, with innovations across the sector that are ripe for exposure and commendation, little did we know just *how* relevant a topic it would turn out to be.

Many months later, the sector has suffered - and continues to reel from - challenges on multiple fronts: to clients, financial services providers, investors, support providers and others, all trying to mitigate losses and preserve the important gains made over recent decades.

Among the clearest lessons revealed by this difficult year is that the mobilisation of savings among vulnerable populations - ensuring access to secure, demand-driven, purpose-matched, flexible and effective savings products and services, that are based on the “mental models” that drive savings behaviour - is crucial to household resilience in the face of immense financial and economic challenges. This is abundantly clear even just from the unprecedented response to the EMA 2020, with its record number and diversity of applicants and savings initiatives (now in the final stages of evaluation before a Selection Committee and then a High Jury, with the winner to be announced on November 19).

“Save money - and money will save you”, goes a Jamaican proverb. How true. It’s also intuitive. We all have a basic understanding of what *are* savings or the *act* of saving - “savings as a verb,” as Stuart Rutherford memorably puts it. You hold back some of what you earn, sacrificing immediate pleasures or other opportunities for some future benefit. This benefit can vary from coping with unplanned shocks that can throw one’s life into disarray to more highly planned savings for predictable future events.

Why savings matter to clients...

There is a growing body of research on the benefits of savings to clients, providers and society at large. Probably most significant of these is the array of benefits that savings bring to clients. Among them are:

- **Cash-flow smoothing:** Variations in income and expenses can be one of the heaviest burdens of poverty. Easily accessible savings are the most affordable and suitable means of managing these ups and downs, as well as preparing for the proverbial “rainy day.”

- **Long-term planning:** Savings are a perfect fit for most lifecycle events - from birth to schooling to marriage and child-rearing - whose cost and time of arrival is often known well in advance.
- **Gender empowerment:** Microfinance and women’s empowerment have been inextricably linked from the start, but few products generate the depth of impact for women that savings does.
- **Savings for equity creation:** Whether the goal is to buy land or invest in a moveable asset, savings are an effective way to increase a household’s net worth and improve its financial well-being.
- **Productive investment:** While credit is a key product for business investment, savings can be cheaper, less risky and equally effective - especially for smaller and less time-sensitive investments.
- **Formalisation:** Savings can be an important entry point to formal financial services, building a client’s transaction history and creating opportunities such as access to low-cost credit.
- **Safety and convenience:** Besides the usual risks (such as theft and fire), cash at home is subject to “leakage,” whether to help out a neighbour or succumbing to an impulse purchase. The use of formal savings helps avoid this tendency - an effect seen among people of all income levels.

...to MFIs...

Savings mobilisation offers an opportunity for providers to develop new relationships with clients. Providers that offer meaningful savings services to a broad client base can sustain growth and innovation for longer periods because of the higher stability of deposits, increased customer loyalty, increased opportunities to cross-sell products like credit, and linkage of institutional growth to clients’ preferences and regional economic trends. Savings also offers financial stability. Diversifying into local-currency deposits can reduce dependence on foreign funding and reduce the risks stemming from exogenous financial and political events.



...and to communities

Savings accrue significant benefits to communities and societies as a whole. A savings culture is part of the development of an “ownership society,” in which citizens acquire wealth, build assets and have a personal stake in the prosperity of their environment. This is complemented with private-sector growth, cost reductions, increased efficiencies, job creation and expansion of the role of the financial inclusion sector beyond just financial services.

Saving can also improve health outcomes, enabling timely medical treatment in communities where state-provided health care is limited or nonexistent. Similarly, the empowerment of women through financial autonomy has benefits that radiate beyond the individual. And households that are able to save for later in life place fewer burdens on the state, freeing funding for projects that benefit society as a whole.

The “mental models” behind savings

So what makes people choose to save? Financial decisions are affected by a multitude of variables: long-term calculations, risk avoidance, gut instinct, habits, social pressures, and a host of misaligned incentives and misperceptions. Put together, these variables commonly lead to savings practices that are inconsistent with the traditional economic view of people as rational actors.

The EMA 2020 has revealed that people employ various mental models to help them save better. One common practice is using different jars for different savings purposes. ROSCAs encourage saving by creating an obligation to one's peers. Another common practice is giving cash to a neighbour to safeguard - not because the neighbour's house is more secure, but because cash that is out of the house cannot be spent as easily.

Insights into these mental models are being uncovered increasingly by the relatively young field of behavioural economics, which often counters the idea of humans as rational economic actors. Instead, according to Nobel Laureate Richard Thaler, significant biases and cognitive limitations are “human traits that systematically influence individual decisions and market outcomes,” including savings choices.

Encouraging Effective & Inclusive Savings - and the EMA 2020

To highlight these emerging efforts, the organizers of the EMA 2020 invited applications from organisations that are **innovating in the encouragement and delivery of savings for low-income and excluded populations**. Three components of this topic distinguish exceptional initiatives.

First, financial and non-financial institutions can **encourage** savings by lowering barriers (making savings accounts or savings groups easier to open or join). But access alone is insufficient. Just as important is for institutions to show that their savings programme is built with an understanding of clients' behaviour - to take advantage of incentives, group coordination and teachable moments to promote the choice to save.

Second, savings are **effective** when they are well matched to clients' specific goals and needs; affordable; accessible; secure; easy to

understand; and - wherever possible - taking advantage of technological innovations on the client and institution sides to expand outreach, lower costs and improve service quality. These products also are sustainable for the institution, exhibit high levels of transparency, promote client-provider trust and enjoy genuine client usage (rather than, for example, prioritising the opening of many new accounts that end up dormant).

Third, savings are **inclusive** when they reach un(der)banked segments, such as women and youth, protecting those most vulnerable to shocks within a comprehensive client protection framework. Holding poor clients' savings carries a moral as well as a financial responsibility - not only to safeguard the money but to do so affordably and with high levels of transparency.

Over the course of the EMA 2020 application process, it became clear that applicants' responses to the **COVID-19 crisis** would become increasingly important in their savings initiatives, institutional resilience, and protection of clients and staff. So we added to the questions asked of applicants - to go beyond those on outreach, scale, target populations and product usage - to explore how the crisis has affected their application. This has been a big ask of organisations already straining under the pressure of crisis management, and we acknowledge and appreciate their patience and efforts.

So, where do things stand now? The first round of the European Microfinance Award 2020 on *Encouraging Effective & Inclusive Savings* received a record number and range of applicants - 70 applications from 37 countries. And for the first time, every applicant invited to proceed to the second round this year - 38 out of 38 - completed this more comprehensive application form.

The EMA Preselection Committee then evaluated these 38 against a comprehensive set of criteria, and 19 were forwarded to the Selection Committee. This smaller group of applicants is extremely innovative, comprehensive, imaginative and diverse. The programmes are based in 17 different countries, spanning all of the main regions of the world. They comprise 10 microfinance banks, three NBFIs, two cooperatives/credit unions, two fintechs and two NGOs. They offer children's accounts; commitment savings; doorstep “susu” collection models; financial education and literacy support; digital solutions; group and individual models; and models for many target markets - farmers as well as urban workers, employees as well as microentrepreneurs, business products as well as personal accounts; and many more.

The universe of inclusive savings is vast and growing. The applicants for this award - and especially the 10 semi-finalists that will be profiled in the e-MFP Award publication to be launched during European Microfinance Week - embody the rich array of approaches to encouraging effective and inclusive savings among the people who most need increased resilience during crises like this one.

We look forward to announcing the semi-finalists, subsequently the three finalists and ultimately the winner of this year's Award. We have learned a lot, and we're grateful to everyone who has taken part in the Award process. This topic was interesting and valuable nine months ago, but now it is more important than ever.

Sam Mendelson is a Financial Inclusion Specialist at e-MFP and part of its European Microfinance Award team.

EAR TO THE GROUND

Better Late than Never: Evidence of Positive Impact from Trainings for Micro-, Small Businesses

I find myself driving a lot more as a result of the epidemic and hence have discovered radio as a satisfying way to get a taste of people and places I can no longer see in person. One recent pleasant surprise was stumbling upon a radio show called *La Voz del Negocio Hispano* (*Hispanic Business Voice*) on the New York FM radio station La Música. Business owners call in with questions, and experts offer solid business advice - and a little marketing of their services. As I listened, I heard really valuable conversations taking place. One caller explained that his small business is barely surviving and had to lay off staff to stay afloat. A representative from Wells Fargo explained to him in Spanish how he could access government support. Another expert addressed the audience, praising the entrepreneur's strategy: "Don't hesitate; make decisions quickly, especially to cut your costs." As I drove along, I also heard tips for boosting retail customer engagement for business owners who are unfamiliar with digital media strategies. It was a productive drive, and I was thrilled to learn that Latino small businesses here in the New York area have such a great resource available to them - free of charge.


I believe that information and training matters. Yet over the years, I have struggled to convince MFIs and donors of this. In 2012, leading World Bank economist David McKenzie published a meta-analysis of business training programs with his colleague Chris Woodruff. They found little impact of training on sales or profitability. However, this week, Dr McKenzie resurfaced with a new working paper, "Reassessing the Evidence for 'Business Training Doesn't Work'," which is just what it sounds like. It shows that business training actually does work - and not a moment too soon!

Millions of micro- and small businesses worldwide have missed out on opportunities to receive useful hands-on guidance to improve their

businesses, largely because of a handful of studies based on what appear in retrospect to have been bad programs. Dr McKenzie's new research shows that high-quality business training modules - even short ones - can increase sales by 4.7 percent and profits by 10 percent. (When you are poor and capital-strapped, increasing labor productivity is a game changer since labor is the business's main asset.) Better yet, the analysis found that adding customized approaches resulted in profit increases of 15 percent. These approaches included training specific to women, *kaizen* for small manufacturers, peer mentorship, heuristics (rules of thumb), and a focus on changing attitudes and behaviors.

As so many microbusinesses struggle to survive across the globe, this research offers some insight into how we can help. Supporting an MFI client with training might make the difference between her loan being viable or not. And if MFIs aren't issuing new viable loans, portfolios will stay small, and poor-quality loans will make up a larger portion of them.

For MFIs that have been afraid of paying for business training, the specter of smaller and lower-quality portfolios may make this trade-off more attractive. That means Dr McKenzie's research could not have come at a better time! Hopefully it will lead to a charge of new products and services aimed at strengthening micro- and small businesses. Luckily for some, the voice of Mario Andrés Moreno at *La Voz del Negocio Hispano* has been here all along.

About the Author: Ms Barbara Magnoni is President of EA Consultants, a development-consulting firm based in New York. She has more than 25 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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UPCOMING EVENTS

Digital Investing

November 24, 2020; London, UK

This event will address topics such as machine learning, portfolio management, artificial intelligence, digital financial inclusion, digital financial planning, blockchain, distribution, and data and cybersecurity. A standard delegate pass costs GBP 699 plus 20 percent VAT; however lower rates are offered to those booking before October 24 and those representing startups. All rates are subject to VAT of 20 percent. For more details, you may visit <https://informaconnect.com/digital-investing/>, call +44 (0) 20 7017 7200 or email [info.events\[at\]informaconnect.com](mailto:info.events[at]informaconnect.com).

Inclusive Finance India Summit

January 19 - January 20, 2021; New Delhi, India

This event centers around advancing financial inclusion in India, including themes such as: (1) Regulation for Client Protection; (2) Resilient Institutions for a Strong Inclusive Financial System; and (3) Financial Literacy and Education. The summit concludes with the annual Inclusive Finance India Awards. While pricing has not been released, more details may be sought via [info\[at\]inclusivefinanceindia.org](mailto:info[at]inclusivefinanceindia.org), +91 11 49050255 or <http://inclusivefinanceindia.org/summit.html>.

APAC Microfinance Forum

February 9 - February 10, 2021; Kuala Lumpur, Malaysia

Topics at this forum include the impact of COVID-19, gender disparities in financing, overindebtedness, transforming into a digital institution, alternative methods for assessing risk and alternative funding sources such as peer-to-peer lending. The full fee to attend in person is EUR 1,300, but discounts are available to those registering by October 16 and those attending virtually. For more information, you may call +420 226 220 400, visit <https://www.uni-global.eu/portfolio-page/3rd-annual-apac-microfinance-forum/> or email [office\[at\]uniglobal.eu](mailto:office[at]uniglobal.eu).

Finovate Europe

February 9 - February 11, 2021; Berlin, Germany

This conference covers innovation in financial technology (fintech), including topics such as insurance technology (insurtech), crime prevention and “open banking.” The first day offers keynote addresses and breakout sessions, while the following days are focused on demo sessions and a closing Best of Show Awards. The fee to attend on February 9 is GBP 895, and the fee for the final two days is GBP 1,795. Various packages and discounts also are available. For more information, you may call +44 (0) 20 7017 7200, visit <https://informaconnect.com/finovateeurope/> or email [info.events\[at\]informaconnect.com](mailto:info.events[at]informaconnect.com).

MORE DETAILS COMING SOON ON:

Africa Trade and Investment Convention

March 26 - March 27, 2021; Amsterdam, the Netherlands

17th Annual Global Microfinance Forum

April 22 - April 23, 2021; Prague, Czech Republic

AFSIC (Africa Financial Services Investment Conference)

May 5 - May 7, 2021; London, UK

Global Forum on Remittances, Investment & Development - Africa

June 16 - June 18, 2021; Nairobi, Kenya

Super HappyYness Festival

June 26 - June 29, 2021; Munich, Germany

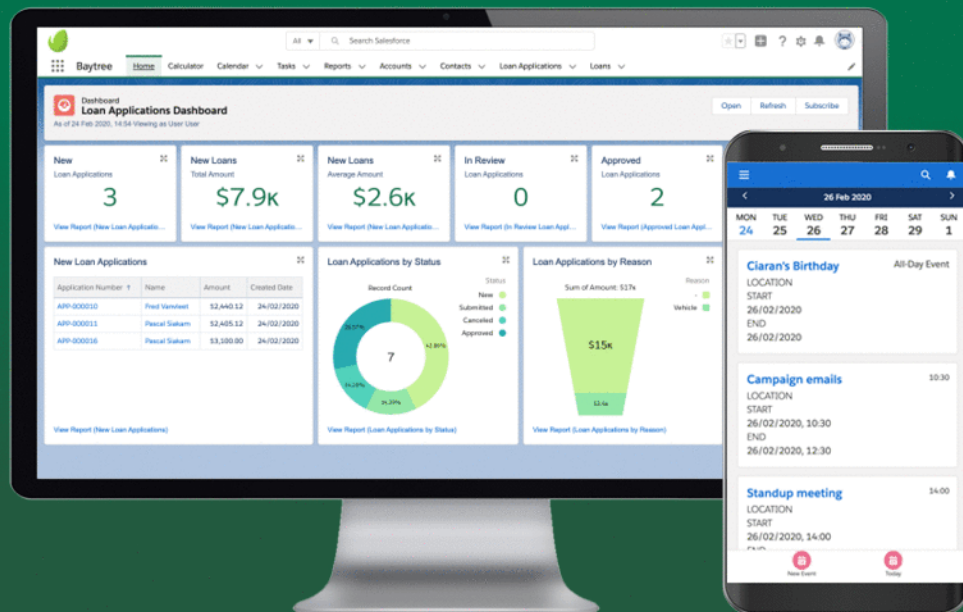
FinnoSummit Mexico 2021

September 21 - September 23, 2021; Mexico City, Mexico

16th International Conference on Inclusive Insurance

October 26 - October 29, 2021; Kingston, Jamaica 🇯🇲

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PAPER WRAP-UPS

Has the Pandemic Spared Cambodia? Liquidity Considerations of Cambodia's Large MFIs

By Sanjay Sinha, published by M-CRIL, September 2020, 7 pages, available at <http://www.m-cril.com/pdfs/20-09-17%20Cambodia%20MFI-MFbanks%20liquidity%20analysis.pdf>

While other sources have reported on micro-borrowers in Cambodia being unable to repay loans and losing their land amid the COVID-19 pandemic, Mr Sinha finds that the recent liquidity challenges faced by microfinance institutions (MFIs) in the country are less significant than elsewhere in Asia. The Cambodian government didn't impose a lockdown on travel, and MFIs have offset the moderate drop in collections by cutting loan disbursements.

Based on a review of data from nine large MFIs, which have a combined portfolio equivalent to USD 11.4 billion, the author estimates a liquidity shortfall of USD 320 million for 2020. This amounts to 2.1 percent of the MFIs' assets. Mr Sinha attributes this minimal gap to the MFIs studied having relatively: (1) low levels of loans as a portion of assets; (2) long average loan maturity periods; (3) high rates of funding from deposits - near 60 percent - with much lower recent rates of withdrawals than countries such as India and Nepal. While acknowledging that a liquidity crisis may still develop, he anticipates return on equity to remain above 5 percent for 2020.

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Never Waste a Crisis: How Sub-Saharan African Insurers Are Being Affected by, and Are Responding to, COVID-19

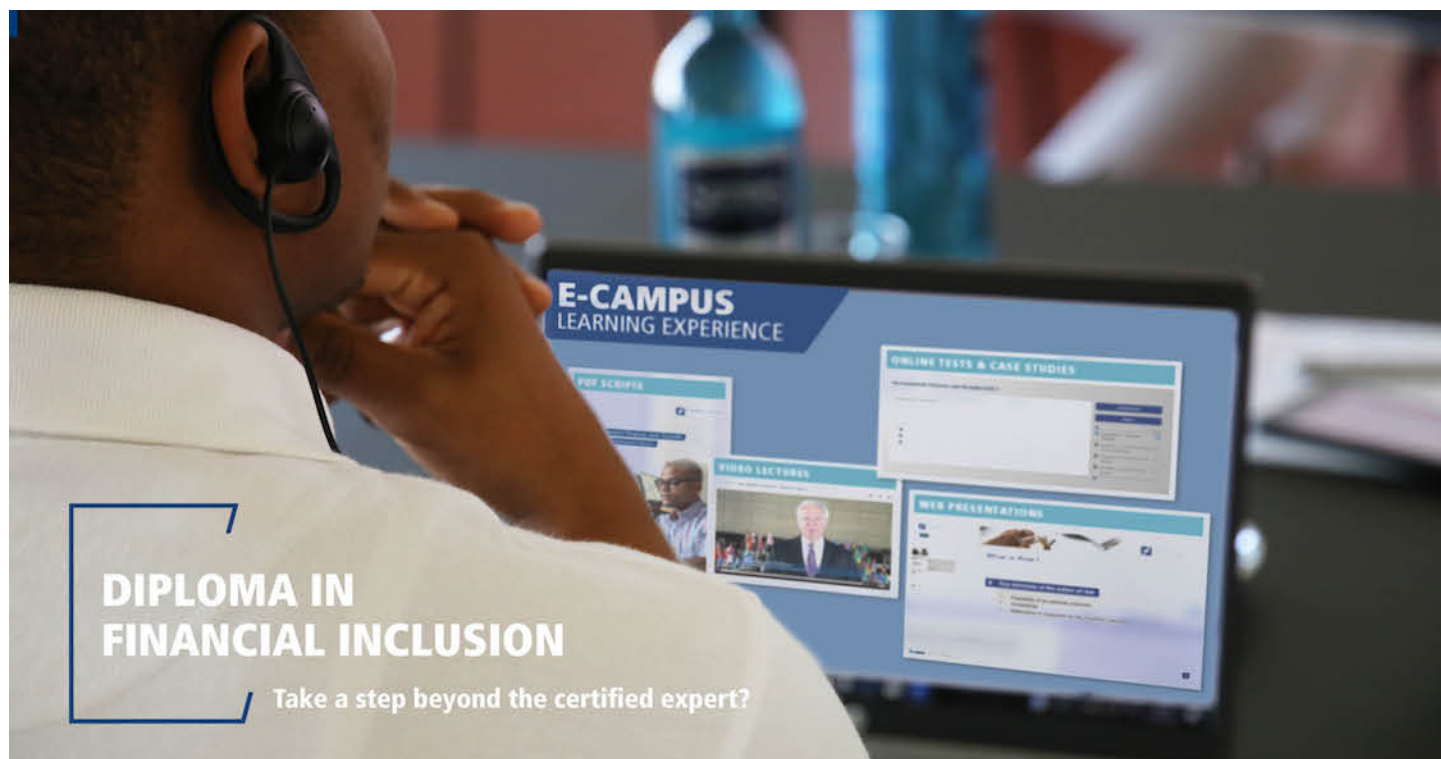
By Lucia Schlemmer, Kate Rinehart-Smit and Jeremy Gray; published by FSD Africa; July 2020; 36 pages; available at <https://www.fsdafrika.org/web-content/uploads/2020/07/Impact-of-COVID-19-on-insurers-10.07.201.pdf>

The pandemic has introduced reputational challenges to insurers from: (1) the requirement that a business be within a certain radius of an outbreak to make a claim regardless of the extent of the impact on the business; and (2) restrictions on the mobility of in-person sales agents and brokers has led to longer claim-processing times and payment delays. Meanwhile digital sales remain limited for reasons including that many regulatory frameworks fail to support digital services such as electronic signatures and other elements of remote onboarding.

Digital Technology in Social Assistance Transfers for COVID-19 Relief: Lessons from Selected Cases

This is a summary of a paper published by Alan Gelb and Anil Mukherjee, published by the Centre for Global Development, September 2020, 21 pages, available at <https://www.cgdev.org/sites/default/files/digital-technology-social-assistance-transfers-covid-19-relief-lessons-selected-cases.pdf>

Based on data from six countries, the authors' findings include that: (1) digital media campaigns are important for marketing digital social transfers; (2) NGOs have an important role to play in facilitating user access; (3) transfers have increased formal financial inclusion by incentivizing people to open accounts; (4) lower transaction charges should be maintained during the pandemic; (6) governments need to communicate clearly with recipients regarding program changes; and (7) digital national identification systems are key. 🇳🇬



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