

MICROCAPITAL BRIEFS | TOP STORIES

Latinia Backs Ábaco, Lender to Freelancers in Colombia, Mexico

Please see page 4 for coverage of this MicroCapital *Deal of the Month*.

Arohan of India Files for IPO, Early Investors to Exit, Deals May Total \$247m

The microlender Arohan Financial Services recently filed with the Securities Exchange Board of India in preparation for an IPO through which it seeks to raise the equivalent of USD 117 million. Of this total, Arohan may shift about one fifth to a pre-IPO placement round. The book runners for the IPO are Edelweiss Financial Services, ICICI Securities, Nomura Financial Advisory and Securities (India) and SBI Capital Markets Limited. Meanwhile, early investors in Arohan plan to sell shares in the firm for USD 130 million. The selling entities are the Aavishkaar Goodwill India Microfinance Development Company II, Maj Invest Financial Inclusion Fund II, Michael & Susan Dell Foundation, Tano India Private Equity Fund II and TR Capital III Mauritius. Arohan was established in 2006 and is a member of the Aavishkaar-Intellectap Group. Arohan offers loans designed for trading, services, utilities, solar products, telephones, bicycles, and small and medium-sized enterprise. The firm also offers life insurance, e-commerce support and financial literacy training. Arohan reports a gross loan portfolio of USD 667 million and 2.3 million customers served through 711 branches in 229 districts of India. The members of the Aavishkaar-Intellectap Group include “equity funds, a venture debt vehicle [and] a microfinance and advisory business including investment banking.” February 22, 2021

Iran Planning NFC Retail Payment System to Compete with Cards

The Central Bank of Iran reportedly is developing a contactless payment system using near-field communication technology that will allow customers to make retail payments using mobile phones. Among the goals of the effort is to reduce: (1) costs for banks and their customers; (2) the use of payment cards, which are generally imported; and (3) the risk of transmitting COVID-19. One challenge will be retailers having to upgrade their point-of-sale terminals to handle the new service. February 16, 2021

FIE NGO of Bolivia Buys Back Stake in CONFIE from Bamboo

Bamboo Capital Partners, a Luxembourg-based impact fund manager, recently announced its exit from Spain-based Corporación para el Fomento a Iniciativas Económicas (CONFIE), whose holdings include Banco FIE, a microfinance institution in Bolivia. CONFIE's parent organization, Bolivia-based FIE NGO, bought the stake for an undisclosed sum. Since Bamboo Capital Partners invested in CONFIE in 2007, Banco FIE has grown to serve 1,040,000 customers via 470 branches and automated teller machines. The institution offers savings, loans, microinsurance, remittances and financial education. Established in 2008, CONFIE “supports the development of the microfinance industry through investment, financing and technology to promote equitable and inclusive development in Latin America.” Founded in 1985, FIE NGO aims to boost “the socio-economic inclusion and improvement of the living conditions of low-income people, through training services and technical assistance.” February 14, 2021

Gaia Invests Equity in Innovex for Solar Technology in Africa

Gaia Impact Fund, which is based in France and focuses on renewable energy, recently agreed to place a seed equity investment in Innovex, a Uganda-based technology firm that is active in solar power in DRC, Ethiopia, Kenya, Tanzania and Uganda. The terms of the investment have not been released. Innovex was founded in 2015 by Douglas Baguma and David Tusubira. Among its products is Remot, which allows solar energy companies to monitor and control their systems remotely. Created in 2019, Gaia invests in small and medium-sized enterprises in sub-Saharan Africa and Southeast Asia. The firm has 11 investees and six staff members. February 2, 2021

INSIDE	Page
MicroCapital Briefs	2
News on MSMEs, fintech, green finance...	
Shafiqul Haque Choudhury	5
In memoriam, by Stuart Rutherford	
Ear to the Ground	6
Nurturing azaleas...and client impact	
Upcoming Events	7
Industry conferences	
Paper Wrap-ups	8
Research and tools	
Subscribe to the Monitor	8

Next Month:

News from Africa, sponsored by Frankfurt School



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

EIB Lends \$3m to MFW for Women Entrepreneurs in Jordan

The EU's European Investment Bank (EIB) recently lent the euro-equivalent of USD 3.3 million to Microfund for Women (MFW) for on-lending to microenterprises in Jordan. These loans are intended to support 9,100 people, 90 percent of whom are women, whose livelihoods have been threatened by the effects of the COVID-19 pandemic. EIB drew the funds from the Southern Neighborhood Microfinance Facility, which has assets of USD 86 million and is intended to encourage microfinance in Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria and Tunisia. H E Maria Hadjithedosiou, the EU ambassador to Jordan, praised the project for "addressing the impact of the COVID-19 pandemic and at the same time fostering women's empowerment in Jordan, by helping them achieve sustainable livelihoods for themselves and their families...". MFW is a nonprofit that was founded in 1996 and serves 124,000 borrowers. In addition to loans, it offers microinsurance and scholarships as well as training on business development, women's health and women's rights. February 24, 2021

Mastercard, Razorpay Boost Recurring Payments for Indian SMEs

Two financial technology firms, US-based Mastercard and India-based Razorpay, recently partnered to increase access to mobile payments in India. The Chief Innovation Officer of Razorpay, Amitabh Tewary, explained that the agreement involves "furthering digital adoption and equipping millions of businesses, especially in Tier 2 and 3 cities, with industry-leading technologies that will help ensure business resilience, [including] to make recurring payments more accessible to businesses and consumers by creating seamless onboarding solutions for bill payments, digital content platforms and other subscription services." Founded in 2014, Razorpay allows "merchants, schools, e-commerce and other companies to accept and disburse payments online, own a fully functional current account and [access] working capital loans." Financial data on Razorpay have not been disclosed. February 24, 2021

Bank of Ghana Issues Crowdfunding Policy

The central bank of Ghana recently launched a policy aiming to promote and guide the use of crowdfunding, whereby people fundraise in small amounts from many individuals. Since long before it could be performed electronically, people have used the concept to raise funds from friends and family for purposes such as business, medical, education and funeral expenses. The new policy encourages crowdfunding via financial institutions, with the goal of increasing financial inclusion, accountability and the protection of funders' interests as well as reducing the incidence of money laundering and terrorism financing. Bank of Ghana will regulate equity and debt crowdfunding models in coordination with Ghana's Securities and Exchange Commission. February 24, 2021

SCBF Supporting Kuunda Overdrafts for Agents in Tanzania

The government-funded Switzerland Capacity Building Facility (SCBF) recently agreed to disburse an unspecified amount of grant funds to Kuunda Digital, a financial technology firm based in Mauritius, to help expand its Hapa Cash product, which supplies overdraft protection to agents of financial services providers in Tanzania. Lack of liquidity, particularly on nights and weekends, results in as many as one in five digital transactions being denied in the country. The overdraft loans average USD 8 and are to be repaid within a single day. In particular, the grant from SCBF is meant to expand the scale of Hapa Cash through increased marketing to agents, especially women; increased training for agents, especially women; boosting the computing capacity of the service; and "improving the customer engagement engine." The project partners include M-Pesa, the mobile money service of Kenya-based Safaricom, and the Tanzanian affiliate of US-based NGO FINCA International. February 23, 2021

SHE Investments Releases Bookkeeping App in Khmer

Cambodia's SHE (Support Her Enterprise) Investments recently released a bookkeeping app, Kotra Riel, targeting women microentrepreneurs in Cambodia. The Khmer-language app assists with tracking income and expenses, managing cash flow, and accessing formal financial services. Kotra Riel, which allows the entry of 100 transactions per month at no charge, is available for users of Android phones and is slated for release for the iOS platform in the future. Development of the app was supported by the UN Economic and Social Commission for Asia and the Pacific (ESCAP) and the UN Capital Development Fund. ESCAP Deputy Executive Secretary Kaveh Zahedi said, "Too many women entrepreneurs in Cambodia and the region are at a disadvantage because they simply don't have access to the digital and financial tools and knowledge that they need to operate their businesses effectively...". February 22, 2021

SarvaGram of India Raises \$10m in Equity from Elevation, Elevar

SarvaGram, a microlender in India, recently secured equity investments totaling USD 10.5 million in a funding round led by Elevation Capital, with participation from Elevar Equity. The terms of the investments have not been released. Elevar Equity previously invested USD 3.5 million in SarvaGram, which serves small enterprises in rural India with technology-oriented "credit products that enhance...capacity and income generation opportunities." Financial data on the microlender are not available. Elevation Capital is a "sector agnostic" venture fund with offices in India and the US managing a portfolio valued at USD 2 billion. Elevar Equity is an impact investing venture capital firm with offices in India, Mexico and the US. Its portfolio of USD 1 billion primarily targets low- to middle-income business owners active in agriculture, education and healthcare. February 19, 2021

Huruma Loans \$8m to INSOTEC, FACES for Farmers in Ecuador

The Huruma Fund, a public-private partnership with commitments equivalent to USD 145 million, recently issued three-year loans to two microlenders in Ecuador: USD 4.8 million to the Instituto de Investigaciones Socioeconómicas y Tecnológicas (INSOTEC); and USD 3.6 million to Fundación de Apoyo Comunitario y Social del Ecuador (FACES). In conjunction with the loans, INSOTEC and FACES will receive EU-funded technical assistance relating to areas such as risk management, technology, credit scoring systems and staff training. Founded in 1980, INSOTEC offers microinsurance, technical assistance, financial education and loans to microentrepreneurs in the agricultural, trade, service and manufacturing industries. As of 2018, INSOTEC reported total assets of USD 58 million, a gross loan portfolio of USD 50 million and 17,000 active borrowers. Founded in 1991, FACES offers microcredit, business training and other services to microentrepreneurs, particularly women and agricultural producers living in the southern part of the country. FACES also serves people with disabilities and their families through a customized credit product and rehabilitation services. As of 2019, it reports a credit portfolio of USD 47 million and 20,000 customers. February 19, 2021

MicroCapital Monitor - © 2021 MicroCapital - ISSN 1935-505X
The MicroCapital Monitor is published monthly by MicroCapital

Editor & Publisher Bob Summers

Writers Sai Bommineni, Tejas Gumudavelly,

Steffi Ong, Harriet Ritchie and Bradley Shulman

Special thanks to Alíz Crowley, Karen Doyle,

Greg Menke, Holly Schiavoni and Sidonia Summers

For questions, comments or suggestions, please contact us via
info[at]microcapital.org or +1 617 648 0043, Boston, USA

Please refer to [MicroCapital.org](https://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!

Creation Launches MSME, Housing, Education Fund in India

US-based Creation Investments Capital Management recently opened an office in the Indian city of Bengaluru and launched a fund for lending to non-banking financial companies in the country. The target firms are those that lend for micro-, small and medium-sized enterprise; affordable housing; vehicle purchases; and education. The size of the fund has not been released. Remika Agarwal, who will lead Creation's operations in India, said, "Our portfolio companies, which have withstood the shocks of the COVID-19 pandemic and earlier demonetization in India, remain strong. We continue to seek investments in companies that have robust business models, strong management teams, and sound environmental, social, and corporate governance credentials." Creation, which is also active in areas such as microinsurance and financial technology, was founded in 2007. Worldwide, it manages assets valued at USD 725 million. February 18, 2021

Jordan Trade Facilities Borrows \$5m from Sanad Fund for MSME

Sanad Fund for MSME, a Luxembourg-based investor in organizations serving micro-, small and medium-sized enterprises (MSMEs), recently agreed to loan the local-currency equivalent of USD 5 million to the Jordan Trade Facilities Company (JoTF). The investment is intended to provide liquidity to JoTF's MSME clients as they adjust to the COVID-19 pandemic. Founded in 1983, JoTF "facilitates selling commodities through installments." The firm has five locations in three cities. February 17, 2021

ASA Mourns Md Shafiqul Haque Choudhury

Md Shafiqul Haque Choudhury, who founded the Association for Social Advancement (ASA), an NGO in Bangladesh, and co-founded the Netherlands-based ASA International, recently died. He launched ASA in 1978 to promote civil rights and social development in rural Bangladesh. In 1992, ASA transformed into a microfinance institution in an effort to improve its effectiveness in expanding women's empowerment. Since its launch in 2007, ASA International has brought ASA's model to 13 countries in Africa and Asia. ASA International CEO Dirk Brouwer said, "Shafiq was a transformative and inspiring leader and a guardian for many, yet he remained a humble person, never losing sight of his social mission." *Please see page 5 of this newspaper for more on the life of Mr Choudhury.* February 16, 2021

Ecom Borrows \$200m for Ag Value Chains from Group of DFIs

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO), a Dutch public-private partnership, recently arranged a seven-year financing deal of USD 200 million for Ecom, a corporation based in Switzerland that specializes in trading and processing coffee, cocoa and cotton. The deal is 30-percent funded by FMO, with the remainder coming from unidentified European development finance institutions. The funding is to be used to "finance farmer initiatives throughout the supply chain, capex investments and permanent working capital needs." "Via Ecom we will reach rural areas in developing countries and those who need our support the most, while looking out for the environment," said Pieterneel Boogaard, FMO's Director of Agribusiness, Food and Water. Nearly all of the 800,000 farmers that sold crops to Ecom during 2019 were classified as smallholders, and 200,000 were women. Ecom operates in 40 countries and holds certification for various forms of sustainability from 4C, AAA, CAFE Practices, Rainforest Alliance and Utz. February 15, 2021

CBN Rescinds Operating Licenses of 42 Microbanks in Nigeria

The Central Bank of Nigeria recently revoked the operating licenses of 42 microfinance banks (MFBs) in the country. The Nigeria Deposit Insurance Corporation has been liquidating the MFBs, including by meeting with depositors to verify their claims for reimbursement. Among the banks that have been shut down are: Hedgeworth MFB in Utako, Abuja; King Solomon MFB in Iporni, Lagos; and Hometrust MFB in Nkwere, Imo. February 9, 2021

Satya Raises \$20m in Equity from Gojo for Women in Rural India

Indian microfinance institution (MFI) Satya MicroCapital recently raised an additional amount equivalent to USD 20 million in equity from Japanese microfinance investor Gojo & Company. The investment takes the total funds raised by the microlender to USD 36 million. Satya CEO Vivek Tiwari said, "Self-employed women residing in rural and sub-urban hinterlands constitute our clientele. COVID-19 has induced a compelling threat to their livelihoods. We will be utilizing this funding to render essential credit services to women microentrepreneurs for their livelihood reformation via our extensive operational network." In addition to group and individual loans, the MFI offers health micro-insurance. Satya began operations in 2017 and has since established 179 branches across 21 states in India. It reports total assets of USD 147 million and a gross loan portfolio of USD 133 million. Founded in 2014, Gojo holds stakes in seven MFIs in India, Cambodia, Myanmar and Sri Lanka. February 9, 2021

Grameen Credit Agricole Foundation Lends \$1.8m EFC Zambia

The Grameen Crédit Agricole Foundation, whose head office is in Luxembourg, has granted its first loan to Entrepreneur Financial Center (EFC), a microfinance institution (MFI) in Zambia. The three-year loan is in local currency equivalent to USD 1.8 million. EFC Zambia serves micro-, small and medium-sized enterprises and has eight branches. It holds 20,000 deposit accounts and has 3,000 borrowers, nearly half of whom are women or organizations owned by women. In addition to business loans, the MFI offers salary-backed loans as well as loans to fund home improvement, the fulfillment of anticipated invoices and orders yet to be filled. All require collateral and insurance. EFC Zambia grew out of a project launched in 1996 by the local affiliate of Switzerland's CARE International. In 2011, the MFI became one of multiple EFCs supported by Développement international Desjardins (DiD), a unit of the Canadian cooperative Desjardins Group. In addition to DiD, the owners of EFC Zambia are AfricInvest, Bamboo Capital, Triple Jump, and employees and customers of the institution. February 8, 2021

Insurtech PasarPolis of Indonesia Raises \$5m in Equity from IFC

Indonesia-based insurance technology (insurtech) firm PasarPolis recently raised USD 5 million in equity from the World Bank Group's International Finance Corporation. The firm plans to use the fresh funds "to develop infrastructure to connect insurers, digital platforms and customers unserved by the traditional insurance sector" during and after the COVID-19 pandemic. PasarPolis, which was founded in 2015 by Cleosent Runding, also operates in Thailand and Vietnam. The firm's offerings include protection for: (1) customers' online purchases; (2) small businesses' inventory; and (3) the health of ride-share drivers and passengers in case of accidents. PasarPolis is also a licensed insurance broker, allowing it to sell products such as vehicle and health insurance for 30 other insurers. PasarPolis is headquartered in Jakarta and issued 650 million policies during 2019. It has served 35 million customers since its founding in 2015. February 8, 2021

India's DeHaat Raises \$30m in Equity for Ag Technology

DeHaat, an India-based agriculture technology company, recently raised USD 30 million in Series C funding. Prosus Ventures, a technology investor based in the Netherlands, led the round, with RTP Global, a Russia-based venture capital firm, investing in DeHaat for the first time. The following entities increased their stakes in the firm: Sequoia India, Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO) of the Netherlands, India-based Omnivore and US-based AgFunder. While the sizes of the other investments and the shares held by each investor are not available, FMO's new investment was in the amount of USD 1.8 million. DeHaat was founded in 2012 and offers an app for farmers that assists with how much fertilizer to administer at various times as well as crop sales. The firm also operates DeHaat Center stores that sell seeds and other inputs. DeHaat serves 350,000 farmers in four states in eastern India. February 5, 2021

Incofin Lending \$1m to EFC Uganda to Support MSMEs

Belgium-based Incofin Investment Management recently disbursed the initial USD 1 million of a “multi-million dollar” loan package for Entrepreneur Financial Centre (EFC) Uganda, a microbank serving micro-, small and medium-sized enterprises (MSMEs). Incofin made the investment through its agriculture-focused fund, agRIF Myrtho Vlastou, Incofin’s debt director for Africa, stated, “EFC Uganda [is] a company that has demonstrated its high growth potential and capacity to empower MSMEs in Uganda. Incofin will also support EFC Uganda in strengthening its social performance management.” Founded in 2012, EFC Uganda provides savings; mobile payments; and loans for financing agricultural supplies, inventory, equipment and home improvements to 10,000 customers via eight service locations. The institution reports total assets of USD 15 million. The organization is one of multiple EFCs supported by Développement international Desjardins, a unit of the Canadian cooperative Desjardins Group. EFC Uganda’s other investors are AfricInvest, ASN-Novib Microcredit Fund, Bamboo Capital, the Belgian Investment Company for Developing Countries (BIO) and the Uganda Gatsby Trust. Kenya’s I&M Burbidge Capital served as the lead advisor to EFC Uganda on the transaction. February 5. 2021

Jamaica Money Market Brokers, IDB Strike \$35m Deal for SMEs

IDB Invest, a member of the US-based Inter-American Development Bank (IDB) Group, recently agreed to support Jamaica Money Market Brokers (JMMB) Bank with: (1) support “on the development and implementation of an environmental and social management system;” (2) capacity building services related to human resources; (3) a five-year loan of USD 35 million for on-lending to small and medium-sized enterprises; and (4) the arrangement of an additional lending package of USD 35 million funded by third-party banks. The funding will increase “the maturity... of its funding sources, thus decreasing the dependence [on] shorter-term deposits.” JMMB Bank was founded in 1992 and generated profits equivalent to USD 7.5 million on assets of USD 573 million during the year ending March 2020. The bank is a member of JMMB Group, which provides insurance brokering, investments and remittances to 352,000 clients in the Dominican Republic, Jamaica, and Trinidad and Tobago. February 4. 2021

Energy Catalyst Community Seeks to Boost Sustainable Energy

Energy Catalyst, “a UK government-funded programme designed to accelerate access to sustainable energy” in Africa and Asia, recently launched its Energy Catalyst Community, offering a set of documents on commercializing energy innovations. The next phase of the project will allow companies funded by Energy Catalyst to collaborate in a private online environment “with other grantees and encourage knowledge exchange to develop and commercialise” renewable energy. Among the documents available in the new library is an off-grid solar technical guide that details various business models for distributing solar products. These include pay-as-you-go via distributors and financing via third-party lenders. February 3. 2021

Latinia Backs Ábaco, Lender to Freelancers in Colombia, Mexico

Spain-based software vendor and financial technology (fintech) investor Latinia recently announced it has invested an unspecified amount of funds in Ábaco, a fintech lender based in Colombia. Ábaco issues loans equivalent to USD 80 to USD 600 “with low rates or no interest” in Colombia and Mexico. It makes credit decisions by collecting data from the delivery services Denario, Mensajeros Urbanos, Picap and Rappi to evaluate “the behavior of delivery platform workers and freelancers using an innovative analysis of their financial profile...”. Founded in 1999, Latinia specializes in real-time event processing for financial institutions in Europe and Latin America. It also has invested in Startupbootcamp, a Denmark-based program promoting “innovation focused on fintech in Latin America.” February 1. 2021

IDB, DFC, FinDev Canada Loan \$390m to Davivienda of Colombia

IDB Invest, a member of the US-based Inter-American Development Bank (IDB) Group; the US International Development Finance Corporation; and government-owned FinDev Canada recently issued subordinated loans totaling USD 390 million to Colombia’s Banco Davivienda for repayment over 10 years. The deal will “provide new financing for working capital, capital investment and fixed assets to Davivienda clients” from the bank’s small and medium-sized enterprise (SME) and women-led SME portfolios. Of the total amount, IDB Invest disbursed USD 20 million from the Canadian Climate Fund for the Private Sector in Latin America and the Caribbean, Phase II to support firms deemed “environmentally friendly.” The agreement allows for a reduction in the interest rate that Davivienda pays if it meets various “goals and milestones related to the green portfolio and risks.” Established in 1972, Davivienda reports total assets equivalent to USD 39 billion, 17 million customers and 680 branches. It is a member of Grupo Bolívar, is a Colombia-based entity active in the financial, insurance and construction sectors in six countries. January 28. 2021



MICROFIN

Operational Planning for MFIs

WEB COURSES

March 22-26
April 26-30
May 24-28

March 15-19 & June 14-18 (ESPAÑOL)

IN-PERSON, LATE 2021 (SUBJECT TO CONFIRMATION)

Bangkok, Lagos, Mexico City (ESPAÑOL), Toronto

Request online training anytime via: microfin@mfiresources.org

Did you know? The loyal readers of

MicroCapital

span thousands of fintechs, MFIs and other providers of critical services to people with low incomes, as well as impact investors, software providers, rating agencies, regulators, researchers and more!

SPECIAL REPORT

Shafiqul Haque Choudhury: A Practical Visionary

Shafiqul Haque Choudhury was born into a landowning family in what was then East Pakistan. Just after he graduated as a sociologist from Dhaka University, a brutal civil war in 1971 ended in the emergence of his new country, Bangladesh.

Wanting to do something about the devastating post-war poverty and underdevelopment, Shafiq joined an overseas charity that had come to Dhaka after the war. But the fishing co-operatives that he helped to form were all too often controlled by their wealthier members, and he took the Maoist view that the poor needed to confront these local elites more directly. With funds from sympathetic international donors, he founded the Association for Social Advancement (ASA) in 1978.



ASA formed groups of working men in the villages, trained them in night schools to “recognise the sources of their oppression” and urged them to carry out “social actions” like work and rent strikes as well as withholding repayments due to moneylenders. The plan was to federate the groups at local, then at district and finally at national levels, with the ultimate goal of creating a government that reflected the needs of its poorest citizens.

It didn’t work. Social actions were few and dwindling. Group members didn’t see why they should fight their landlords: “at least they give us work and loans; all ASA does is lecture us.” More and more of them deserted ASA to join microcredit groups like Fazle Abed’s BRAC and Muhammad Yunus’s Grameen Bank.

When ASA reversed course and became a microcredit provider in 1992, Shafiq’s genius was fully revealed. He took the prevailing microfinance model, stripped it to its basics, and showed how a branch could become profitable within a year. It was hands-on work: Shafiq himself designed the elegantly simple paperwork and wrote the detailed rules governing how branches were to be run. He prioritised growth: ASA became the fastest growing microcredit provider, with a half million borrowing

clients within five years, and well over 7 million - nearly all of them women - a decade later. Retained profits grew quickly, and ASA was the first big provider able to wean itself off grants and subsidised loans. It became the first to abandon “joint liability” (under which group members had to financially guarantee each other’s loan repayments) in favour of individual loans, moving microcredit away from the communitarian toward a more individualistic approach. ASA encouraged savings, believing they protected both client and provider from loan repayment problems, an approach that helped save Bangladesh from the kind of microcredit meltdown that India suffered in 2010.

“...ASA was the first big provider able to wean itself off grants and subsidised loans. It became the first to abandon ‘joint liability’.... ASA encouraged savings, believing they protected both client and provider from loan repayment problems, an approach that helped save Bangladesh from the kind of microcredit meltdown that India suffered in 2010.”

Donors had asked ASA to promote the “ASA Model” in other developing countries previously, so Shafiq had experience running overseas programmes by the time he met a Netherlands-based entrepreneur and in 2007 jointly set up ASA International, a commercial microcredit company working outside Bangladesh. ASA International, which now owns microfinance institutions in 13 countries in Asia and Africa, allowed Shafiq to pursue his social mission across the globe. ASA International still follows the ASA Model established by Shafiq many years ago. Its successful IPO on the London exchange in 2018 allows the wider public to invest in low-income people, an approach that Shafiq came to believe was essential to scale microfinance and improve the lives of many more people.

Shafiq was an always modest and sometimes contradictory character. Despite the astonishing success of his work in microfinance, he worried he had been a “traitor” in abandoning the dream of a peasant-led revolution. Though he skillfully steered ASA clear of party politics, he allowed himself to be flattered into taking a ministerial-level post as part of a short-lived technocratic caretaker government in 2006. Always charming and affable with friends, “President Sir,” as his staff called him, could seem a lonely figure, seated behind his big empty desk in his office on the top floor of ASA Tower, signing the documents that were sent to him and regretting that he could no longer visit the villages incognito.

Shafiq was both an inspirational and a transformative leader - and guardian to many. He stayed true to his social mission in everything he did. His legacy will live on.

He leaves a widow and three sons, one of whom, a senior ASA executive, has succeeded him in the role of President of ASA.

*This feature is sponsored by [ASA International](#). The author is Stuart Rutherford, author of *The Pledge: ASA, Peasant Politics, and Microfinance in the Development of Bangladesh (2009)* and *ASA: the Biography of an NGO: Empowerment and Credit in Rural Bangladesh (1995)*. 🇬🇧*

EAR TO THE GROUND

The Azalea Dilemma: Reflections on Achieving Impact

Recently, a friend told me he was planning to plant azalea seeds. Apparently, it is a tricky shrub to grow, requiring precise levels of heat and moisture indoors before being introduced to nature's elements. Even if your azalea survives, you may have to wait seven years for it to flower. My friend's strategy is to plant 2,500 seeds this winter in hopes of having some 200 adult plants a decade from now. There is a method that yields azalea flowers in just three years - if you combine exactly the right amounts of water, heat, fertilizer, etc - but my friend says no one grows them that way because it isn't cost-effective.

As I reflected on this "azalea dilemma," I was reminded of some of the issues we debate regarding the impact of financial inclusion on low-income households. In the past few weeks, I have spoken with a number of donors and employees of financial institutions about what "impact" means to them. There is a lot of debate, from the traditional trade-offs between measuring outputs, outcomes and impact, to more nuanced thinking around theories of change that offer evidence-based pathways to impact.

Two often overlooked dimensions are segmentation and time. RCTs offer a great example. Many of the RCTs trying to measure the impact of microfinance have found limited or no impact. However, most have been constrained by their use of averages (assuming interventions effect different study participants in the same ways) and by spanning time frames of no more than three years. I believe more time is needed for compounding to take place. If I make USD 2,000 a year, and my income increases by 10 percent, that's a difference of just USD 200. In most countries, USD 200 is not life-changing. It's what you do with the USD 200 in year one and then again in each following year that starts to create robust impact.

Yesterday, I spoke with my friends at Genesis Empresarial, a leading MFI in Guatemala. The team at Genesis has been thinking about impact very deliberately for some time. Its findings suggest that it often takes about 20 years to see impact in clients' lives. Genesis has been able to reduce that to 13 years through a multi-dimensional approach, offering different products for each client segment. But like the wait for an azalea bloom, this feels too long. While there may not be an ROI story yet, Genesis has decided to target a seven- to eight-year impact timeframe for its interventions. The team deliberately is designing various combinations of interventions that target different segments based on their level of vulnerability as well as business type and size. This may cost more than it's worth in financial terms for the MFI, but impact is, after all, why most of us are involved in the sector.

I am very interested in how a multi-dimensional approach such as Genesis's could drive the rate of return on impact, leading to faster growth over time. If we consider the compounding aspect of impact, we might expect to see the rate of change accelerate significantly. This may be where a call for integrating other services into the provision of microfinance makes sense. Last month in this column, I talked about how the sector is going to need to collaborate more with both public and private service providers if we're going to get out of the COVID-19 crisis any time soon. Maybe COVID-19 is our opportunity to start thinking about impact in a new way: more deliberately, multi-dimensionally and impatiently.

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), and you may follow her on Twitter at [BarbaraatEA](https://twitter.com/BarbaraatEA).






Specialized in understanding the financial lives of low-income households

Experts in the business models of organizations who serve them

Focused on securing shared value across stakeholders

UPCOMING EVENTS

Africa Agri-Trade & Finance Forum

May 26, 2021; Nairobi, Kenya

This event will cover topics such as rural financial inclusion, government incentives for investing in agriculture and how private companies can help solve “agri-challenges.” The registration fee of USD 250 is slated to increase at a date to be announced. More details are available from Naomi Njoroge at [naomi\[at\]aidembs.com](mailto:naomi[at]aidembs.com) or +254 700 248840, or you may visit http://www.aidembs.com/africa_agrifinance_forum/.

Africa Trade and Investment Convention - NEW DATES

June 11 - June 12, 2021; Amsterdam, the Netherlands

Participants in this event may attend a B2B Matchmaking Forum; country-specific meetings; and sessions on topics such as: remittances, agriculture, value chains, the potential of youth and women, public-private partnerships, regulation, financial technology, and small and medium-sized enterprise. The cost to attend is EUR 500 plus tax. More details are available via <http://www.investinginafrica.eu>, +31 616 950 384, [info\[at\]investinginafrica.eu](mailto:info[at]investinginafrica.eu).

World Finance Conference

August 3 - August 6, 2021; Kristiansand, Norway

This program will cover Sustainable Finance, Investments, Corporate Governance and Accounting. While the detailed agenda has not yet been released, the 2020 iteration of the event included papers titled “Bank Lending and Small and Medium-sized Enterprises? Access to Finance? Effects of Macprudential Policies” and “Goal Congruence Contract Between the Manager and the Loan Officer in Microfinance.” The full registration fee is EUR 430, with various discounts available, including for those registering by May 20. For more details, you may visit <https://www.world-finance-conference.com>, call +351 961317366 or email [worldfinanceconference\[at\]gmail.com](mailto:worldfinanceconference[at]gmail.com).

Africa Financial Services Investment Conference - NEW DATES

October 10 - October 12, 2021; London, UK

AFSIC will cover topics such as “sustainable” finance, financial technology and banking in Africa. Attendees may also access investor-project matchmaking sessions, country-specific presentations and an app for networking in advance. The full registration fee is GBP 1,295, with discounts offered, including for various early registration dates. For more details, you may visit <https://www.afsic.net/> or email [event\[at\]afsic.net](mailto:event[at]afsic.net).

MORE DETAILS COMING SOON ON:

Global Forum on Remittances, Investment & Development - Africa

June 16 - June 18, 2021; Nairobi, Kenya

Super HappyYness Festival

June 26 - June 29, 2021; Munich, Germany

International Conference on Sustainable Development

September 8 - September 9, 2021; Rome, Italy

FinovateFall: The Future of Finance is Digital

September 13 - September 15, 2021; New York, New York, USA

FinnoSummit Mexico 2021

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

Asia-Africa Financial Inclusion Summit

September 28 - September 29, 2021; Dubai, UAE

APAC Microfinance Forum

October 26 - October 27, 2021; Kuala Lumpur, Malaysia

16th International Conference on Inclusive Insurance

October 26 - October 29, 2021; Kingston, Jamaica

MEDA Convention

November 4 - November 7, 2021; Atlanta, Georgia, USA 🇺🇸



ONLINE COURSES ON FINANCIAL INCLUSION AND GREEN FINANCE

English | French | German | Turkish | Spanish | Russian

PAPER WRAP-UPS

Disaster Resilience Through Financial Inclusion

By Jeanette Moling, Johanna Nyman, Laura Ramos;
published by the Alliance for Financial Inclusion;
February 2021; 27 pages; available at <https://www.afi-global.org/wp-content/uploads/2021/02/AFI-IGF-disaster-resilience-SP-AW-digital.pdf>

This paper addresses how financial services can contribute to disaster risk reduction, such as through “inclusive green finance,” which re-directs funding from activities that may increase climate change toward sustainable activities and adaptations to climate change.

Preparing financial systems for disasters can include: performing risk assessments and modeling; planning for the fast provision of cash post-disaster; establishing disaster risk insurance, credit guarantees and recovery facilities; digitizing financial services; and increasing intergovernmental coordination.

After a disaster occurs, regulators can take the following temporary actions: lowering reserve requirements for financial institutions; performing quantitative easing; relaxing know-your-customer requirements; allowing no-frills accounts; and allowing early access to pension funds for short-term aid.

SUBSCRIBE TO THE MICROCAPITAL MONITOR

The MicroCapital Monitor is available only by paid subscription. Subscribe today to support a representative voice for impact investors and investees at MicroCapital.org or by calling +1 617 648 0043. Subscriptions include 12 monthly issues and access to all back issues.

Bronze: USD 149 per year - Sent to one email address
Silver: USD 299 per year - Emailed to three people at one organization
Gold: USD 699 per year - Customized, organization-wide access
Discount: USD 99 per year - Available only OUTSIDE rich countries

COVID-19 and Cyber Risk in the Financial Sector

By Iñaki Aldasoro, Jon Frost, Leonardo Gambacorta and David Whyte; published by the Bank for International Settlements; January 2021; 9 pages; available at <https://www.bis.org/publ/bisbull37.pdf>

Financial institutions have shifted many of their employees to working from home (WFH) in response to the COVID-19 pandemic, and the authors of the paper posit a “strong link between the prevalence of WFH arrangements... and the incidence of cyber attacks between the end of February and June 2020.”

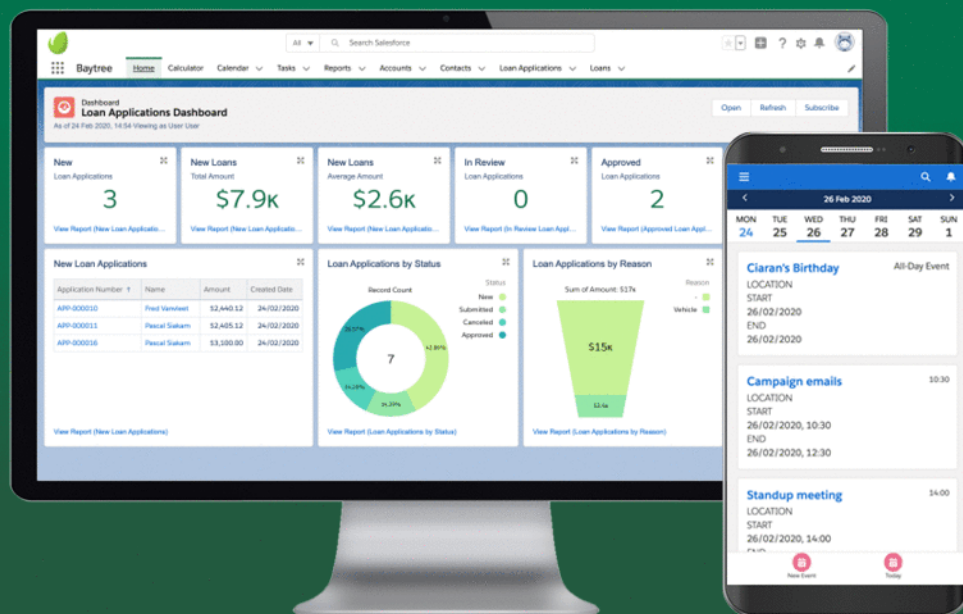
The financial sector has been hit by 25 percent of total cyber attacks, the most of any sector. One of five financial firms have reported disruptions.

ESG and Accountability to Communities

Published by Publish What You Fund; February 2021; 41 pages; available at <https://www.publishwhatyoufund.org/download/dfi-transparency-initiative-ws3-working-paper-on-esg-and-accountability-to-communities/>

This report examines 20 development finance institutions (DFIs) to learn how these organizations: (1) are transparent in terms of their policies on environmental, social and governance (ESG) issues; (2) actually disclose ESG risks and plans to manage those risks; and (3) implement independent accountability mechanisms to ensure policies are being followed. While DFIs’ policies regarding the disclosure of ESG risks generally are well developed, the authors conclude that “the practices undertaken by DFIs rarely match their policy obligations.”

Stay ahead of the curve with Fern Software's Flexible Lending Solutions



Please register your interest at info@fernsoftware.com