

MICROCAPITAL BRIEFS | TOP STORIES

Equity Bank Kenya to Lend \$50m for Ag to Women, Youth

Please see page 3 for coverage of this MicroCapital *Deal of the Month*.

Agritech CropIn of India Raises \$20m in Equity with ABC World Asia Leading

CropIn, an agricultural technology (agritech) firm based in India, recently raised USD 20 million in its Series C funding round. The lead investor was ABC World Asia, a private equity firm headquartered in Singapore. ABC World Asia CEO David Heng said the investment will boost the ability of “farmers to utilize real-time data for better decision-making and improved farm productivity.” The other participating investors include two first-time investors in the company, the UK government’s CDC Group and India’s Pratithi Investment Trust. Those increasing their stakes in the firm include US-based Invested Development and two Indian firms, Ankur Capital and Chiratae Ventures. CropIn’s SmartRisk platform combines weather data with imagery recorded by satellites, drones and field staff to help agri-businesses and financial institutions that are active in agriculture to improve their decision-making with regard to lending and insurance. SmartRisk holds data on 13 million acres of land tilled by 4 million farmers. CropIn is active in 52 countries. January 21. 2021

Mexico, Morocco Report Surprise Increases in Remittances

Residents of Mexico and Morocco received more in remittances from family members living abroad during the first 11 months of 2020 versus the same period in 2019. This is despite predictions from sources including the World Bank that the COVID-19 pandemic would cause global remittances to decrease 20 percent “due to a fall in the wages and employment of migrant workers, who tend to be more vulnerable to a loss of employment and wages during an economic crisis in a host country.” Remittances from the 5 million Moroccans living in other countries totaled the equivalent of USD 7.1 billion from January 2020 through late November 2020, a 3.9-percent increase over the same period of the previous year. Remittances sent to Mexico from January to November increased from approximately USD 33 billion in 2019 to 37 billion in 2020. Meanwhile the size of the average remittance transaction increased from USD 326 to USD 340. One possible contributor to the increased recorded total is that tightened restrictions on the US-Mexico border could be causing more people to use traceable transfer methods in lieu of carrying cash by hand. January 18. 2021

E-lender Creditas of Brazil Raises \$225m in Equity with Eye on Mexico

Creditas, an online lending platform in Brazil, recently raised USD 225 million in equity, valuing the firm at approximately USD 1.75 billion. Among its plans for the fresh funds is to expand to Mexico. The new investors in Creditas are the Liechtenstein-based LGT Lightstone and the following US-based companies: Advent International, which is managed by Sunley House Capital; e.ventures; Tarsadia Capital; and Wellington Management. The following investors also participated in the equity raise, increasing their exposure to Creditas: UK-based Amadeus Capital Partners; Brazil-based Kaszek Ventures; SoftBank Vision Fund 1 and SoftBank Latin America Fund, which are managed by Japan’s SoftBank Group; and Sweden-based Vostok Emerging Finance. As of the close of this transaction, Vostok owns a 9.7-percent stake in Creditas. The sizes of the stakes held by the other investors have not been disclosed. Creditas’s products include loans for merchants, payroll lending, home improvement loans and car financing. Sample terms include a minimum loan size equivalent to USD 5, with monthly interest rates starting at 0.75 percent. Founded in 2012 as BankFacil, Creditas reports one-year revenue of USD 32 million. January 13. 2021 

INSIDE	Page
MicroCapital Briefs	2
News on MSMEs, fintech, green finance...	
European Microfinance Week	5
Crisis lessons, leveraging VSLAs & more	
Ear to the Ground	7
“Pandemic Inequity”	
Upcoming Events	8
Industry conferences	
Paper Wrap-ups	9
Research and tools	
Subscribe to the Monitor	9

Next Month:

Training MFI leaders



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

EBRD Loans \$4m to ProCredit Skopje to Boost Quality, Efficiency

The UK-based European Bank for Reconstruction and Development (EBRD) recently provided two loans to ProCredit Bank Skopje, which operates in North Macedonia as a member of Germany-based ProCredit Holding. One loan, in euros equivalent to USD 1.2 million, is for on-lending to the owners of residential buildings to buy “green materials, equipment and technologies” to increase energy efficiency and otherwise boost sustainability. The other loan, in the amount of USD 3.0 million, is to help small and medium-sized enterprises (SMEs) adjust to the COVID-19 pandemic while improving production practices to meet the health, environmental and quality standards of the EU. ProCredit Bank Skopje, which specializes in serving individuals and SMEs, reports total assets of USD 597 million, return on equity of 9.4 percent and 185,000 clients. The members of ProCredit Holding include ProCredit Academy, the information technology firm Quipu, and banking members in Ecuador and 18 countries in Europe and Central Asia. January 27, 2021

REGMIFA Raises \$24m from BMZ via KfW

The German Federal Ministry for Economic Cooperation and Development, which is also known by its German acronym BMZ, recently invested the equivalent of USD 24 million in the Regional MSME Investment Fund for Sub-Saharan Africa (REGMIFA), which supports micro-, small and medium-sized enterprises (MSMEs) in 19 countries. The investment, which BMZ issued through the German development bank Kreditanstalt für Wiederaufbau, is earmarked for the nine of REGMIFA's target countries that participate in the G20 Compact with Africa. A total of 12 African countries are active in the Compact, which is meant to improve these countries' “macro, business and financing frameworks” to make their economies more attractive to private investment. REGMIFA has an asset size of USD 160 million, with participation from both public and private investors. January 26, 2021

Microsoft, IFC Partner on Business, ESG, Tech Training in Brazil

Microsoft, a US-based technology firm, and the World Bank Group's International Finance Corporation recently partnered on the following efforts in Brazil: (1) technology training for forcibly displaced populations to boost their prospects in the labor market; and (2) a program for women entrepreneurs that will cover “technical knowledge and encourage the exchange of experiences to improve [each participant's] business model and further expand the startups' future fundraising opportunities.” The partnership also involves: (1) unspecified “investments in...health, education, insurance, law, and sustainability;” and (2) a publicly available workshop that was held in January regarding how to incorporate environmental, social and governance (ESG) elements into a young business. January 25, 2021

PBU Invests in Women via Fund Targeting SMEs in Southeast Asia

The UN Economic and Social Commission for Asia and the Pacific (ESCAP) and Small Enterprise Assistance Funds (SEAF), a US-based investment manager, recently closed the first round of funding of the SEAF Women's Economic Empowerment Fund (SWEFF). While the amount of investment has not been disclosed, Denmark's Pædagogernes Pension (PBU) is leading the round. The goal of SWEFF is to support small and medium-sized enterprises (SMEs) in Indonesia, the Philippines and Vietnam that meet women's and girls' needs as customers, employees and leaders. SWEFF also will be “promoting mentorship [and] business development support services” in the region. SEAF, which was founded in 1989 and focuses on SMEs, has managed 38 funds and employs 100 people in 33 countries. The role of SEAF is to manage SWEFF while UNESCAP provides the fund with “technical assistance and grant support.” The Canadian government's Global Affairs Canada also supported the development of the fund. January 22, 2021

Carticard, egabi, Mastercard Partner on Microloans in Egypt

Carticard, an affiliate of Egypt-based online business solutions platform egabi, recently partnered with Mastercard, a US-based payments technology company, through which Carticard will issue loans via Mastercard payment cards. This will increase to 400,000 the number of payment cards that Carticard has issued and manages for microfinance institutions, consumer finance companies and banks. Ahmed Sameh, the managing director of Carticard and egabi, remarked, “We are pleased to partner with Mastercard to digitize the payment process for nano-, micro- and small financing cycles. Our collaboration will contribute to the financial inclusion journey by facilitating digital cash disbursements and collection.... We have started the program in Egypt and have plans to expand to other countries and regions soon.” Egabi offers a range of technology services, including in the financial services arena. Its platforms for e-banking, leasing, microfinance, mortgage lending and other services facilitate 500,000 transactions per day for 120 financial institutions in 17 countries. In addition to Egypt, egabi has offices in Saudi Arabia and the UAE. January 20, 2021

Pakistan's Raast Digital Payments to Fight Exclusion, Extremism

The country of Pakistan recently began the rollout of Raast, an “instant digital payment system,” through which the government will route payments to individuals, such as salaries, pensions and welfare. Individuals and businesses will also be able to use Raast to make payments to one another via agents and mobile devices. Among its goals are to reduce the usage of cash and to bring more women into the “formal economy.” The platform is also meant to strengthen the rule of law, such as by increasing tax collections, reducing corruption and curbing transactions that benefit extremist groups. President Imran Khan of Pakistan stated, “Pakistan collects about the least amount of tax in the world [hence] ...we cannot build infrastructure; we cannot work on human development, or educate children or improve hospitals.” The creators of Raast, whose name can be translated as “direct way,” are the State Bank of Pakistan, the US-based Bill and Melinda Gates Foundation, the UK government, the UN and the World Bank. January 19, 2021

Samunnati Borrows \$12m from FMO, Triodos to Boost Ag in India

Samunnati, a non-banking financial company serving India's agricultural sector, recently borrowed the euro-equivalent of USD 6.1 million each from Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO), a development bank controlled by the Dutch government, and Triodos Investment Management, a subsidiary of Netherlands-based Triodos Bank. Triodos is disbursing the funds from two of its financial-inclusion vehicles, Triodos Fair Share Fund and Triodos Microfinance Fund. Samunnati plans to on-lend the cash to farmer-producer organizations and small and medium-sized enterprises. Launched in 2014, Samunnati lends to agricultural firms, facilitates trade relationships between agri-enterprises and producers, and provides technology solutions for increasing efficiency in value chains in 19 states. The company reports 12-month income of USD 59 million. January 15, 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, Eha Joshi,
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Please refer to [MicroCapital.org](https://www.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!

EFSE Loans \$6m to Agroprosperis to Support Farmers in Ukraine

The European Fund for Southeast Europe, a microfinance investment vehicle domiciled in Luxembourg, recently loaned the euro-equivalent of USD 6.1 million to Agroprosperis Bank to support agricultural micro- and small enterprises in Ukraine as they adjust to the COVID-19 pandemic. Agroprosperis CEO Serhii Shchepanskyi said the bank “is committed to helping Ukrainian farmers become more profitable, efficient and resilient by offering them available and timely financing... [to] endure and sustain production amid uncertainties, heightened risks and quarantine restrictions.” Founded in 2016, Agroprosperis reports assets totaling USD 59 million and having disbursed USD 25 million in loans during the nine months ending October 2020. January 14, 2021

City Express, Money King of Myanmar Net Remittance Licenses

The Central Bank of Myanmar recently granted licenses to City Express convenience stores and the Money King financial comparison website that allow them to perform international money transfers. In order to obtain such a license, registered companies must have a minimum balance equivalent to USD 75,000 at a bank that is licensed to manage foreign currency. One of the goals of remittance licensing is to curtail transfers made through illegal means, such as *hundis*, a traditional form of long-distance money transfer that originated in India. Remittance services in Myanmar are intended only for people who work in other countries and are sending money to family members in Myanmar. Those transferring funds for business purposes are meant to do so via banks. The other five companies that hold remittance licenses in Myanmar are 2C2P, OK Money, Ok Zune, Top Shine Money Changer & Gold Trading and Wakhema Money Changer. January 14, 2021

EIB to Loan \$517m to Banque Misr for SMEs in Egypt

The European Investment Bank (EIB), the EU's long-term lending institution, recently agreed to provide a line of credit capped at the equivalent of USD 517 million to Banque Misr, a government-owned bank in Egypt. The money is targeted to small and medium-sized enterprises (SMEs), defined in this case as those employing 10 to 249 people. Flavia Palanza, EIB's director for neighboring countries, said, “...SMEs need strong support to overcome the challenges created by the COVID-19 pandemic... [as they] are most vulnerable to the impact of this global crisis.” Approximately 20 percent of Banque Misr's portfolio is deployed in the SME sector. Its recently launched “Express” loan product accepts digital loan applications from firms that have one-year sales totals between USD 64,000 and USD 3.2 million. Banque Misr was established in 1920 and operates 700 branches. It serves 12 million customers with total assets of USD 62 billion, customer deposits of USD 48 billion and a gross loan portfolio of USD 18 billion. January 13, 2021

Myanmar Banks Association, NSP Launch Myanmar Credit Bureau

MB Investment Limited, an entity created in 2015 by the Myanmar Banks Association, and NSP Asia Investment Holding, a subsidiary of Singapore-based Credit Bureau Asia (CBA), recently launched the Myanmar Credit Bureau (MMCB). Although the firm is serving only banks at first, it plans to bring on microfinance institutions and other non-bank lenders in the future. MMCB's owners entered a partnership to create the firm in 2016, with MB Investment holding 60 percent of its shares. Founded in 1995, CBA provides consumer and commercial credit information, including in partnership with Dun & Bradstreet, a US-based firm offering “business decisioning data and analytics.” CBA is active in Cambodia, Malaysia, Myanmar and Singapore. Its credit bureaux in Cambodia and Singapore share data among 196 members. January 12, 2021

Blue Mahoe Buys 40% of Jamaica's Sprint

Blue Mahoe Capital, an investment firm based in the US city of Miami, recently purchased a 40-percent equity stake in Sprint Financial Services, a Jamaican microfinance company, for an undisclosed sum. Sprint plans to use the fresh cash to expand operations with an eye to becoming a publicly traded company. Founded in 2011, Sprint provides online loans for personal and business use as well as a factoring service. Through this service, Sprint customers receive payments upfront for invoices due to them, and Sprint collects the invoiced funds thereafter. Blue Mahoe Chairman David Mulligs stated, “We bring cheaper capital from our US relationships and intend to pass on those lower interest rates to borrowers, thus contributing positively to job creation and business expansion...” Sprint charges borrowers 8 percent interest per month plus a taxable origination fee of 6 percent, with new customers subject to an additional charge for a site visit. While no maximum is published for business loans, personal loans are capped at the equivalent of USD 2,100. Since its inception, the company has dispensed 1,700 loans totaling USD 981,000. January 12, 2021

CARD Borrowing from IFC for Women's MSMEs in the Philippines

The International Finance Corporation, the private-investment arm of the World Bank Group, recently agreed to lend up to the equivalent of USD 15 million to the Center for Agriculture and Rural Development - Mutually Reinforcing Institutions Group (CARD MRI) to support micro-, small and medium-sized enterprises (MSMEs) in the Philippines during the COVID-19 pandemic. The investment will go through CARD MRI's CARD Bank and CARD Bank SME, which together have 4 million customers and 120 branches. The goal of the investment is to reach 60,000 businesses, primarily women-owned and -led MSMEs. The 22 units of CARD MRI provide access for low-income individuals to education, healthcare, microinsurance and other financial services. They have a total of 17,000 employees and 3,380 service locations in the Philippines plus liaison offices in four other countries in the region. January 11, 2021

Equity Bank Kenya to Lend \$50m for Ag to Women, Youth

Equity Bank Kenya, which focuses on the individual and micro-, small and medium-sized enterprise (MSME) markets, recently signed an agreement with Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO), a Dutch development bank, whereby the Nasira Risk Sharing Facility will guarantee USD 50 million in lending by Equity Bank Kenya. This on-lending is to target agricultural MSMEs run by female and young entrepreneurs as they adjust to the COVID-19 pandemic. Nasira, which is managed by FMO, was launched in 2018 by FMO and the EU with an initial volume equivalent to USD 92 million and a time horizon of four years. Equity Bank Kenya, founded in 1984, has 177 offices and total assets valued at USD 546 million. Its parent company, Equity Bank Group, reports USD 6.1 billion in total assets, a gross loan portfolio of USD 3.3 billion and deposits of USD 4.4 billion from operations in the Democratic Republic of Congo, Kenya, Rwanda, South Sudan, Tanzania and Uganda. January 11, 2021

Aye Borrows \$10m from Catalyst for On-lending to MSEs in India

Aye Finance, an online lender in India, recently borrowed USD 10 million from AAV (Asian Access Vehicle) and Masala Investment, two funds of India-based Catalyst Trusteeship. Aye's app provides micro- and small enterprises with access to loans equivalent to USD 4,100 to USD 13,700 using technology that analyses “credit habits and seasonal swings in business” as well as other “financial, behavioral and psychometric parameters.” The firm reports total assets of USD 72 million, including 155,000 active loans. Aye is based in the city of Gurgaon and was founded in 2014. January 7, 2021

Citygate of Nigeria Introduces Monée App

Citygate Global, a microfinance institution in Nigeria, recently introduced Monée, a digital application allowing customers to access financial services such as loans, savings, investments and bill payments via mobile phones. The app also offers fund transfers to and from any bank in Nigeria. For savings, the service pays interest of 6 percent per annum. Customers with a debit card may apply for loans equivalent to USD 7 to USD 53 with terms of 2 weeks to 2 months. Loans of up to USD 5,200 are available through the app to “specially profiled high net-worth individual customers.” Founded in 2007, Citygate has 40 branches and serves 28,000 customers. It has an asset base of USD 7.9 million including two subsidiaries, Empire Trust Microfinance Bank and the Citygate Global Growth Empowerment Initiative. January 6. 2021

\$10m Bond to Fund Affordable Housing in Colombia

Symbiotics, a Switzerland-based impact investing platform, recently agreed to issue a local-currency loan equivalent to USD 10.5 million to La Hipotecaria Compañía de Financiamiento (HCF), a Panama-based mortgage lender, from the proceeds of a social bond Symbiotics is launching for this purpose. The senior, unsecured loan, which has a term of 4.5 years, is meant to increase access to finance for affordable housing in Colombia via the local subsidiary of HCF. Symbiotics is issuing the bond through its Micro, Small & Medium Enterprises Bonds platform for listing on the Luxembourg Green Exchange. The bond meets the Green Bond Principles of the International Capital Market Association. Founded in 1997, HCF lends to clients with monthly incomes of USD 400 to USD 1,500. The firm launched operations in El Salvador and Colombia in 2010 and 2011, respectively. Across these three countries, HCF originates USD 11.5 million in mortgages per month. January 5. 2021

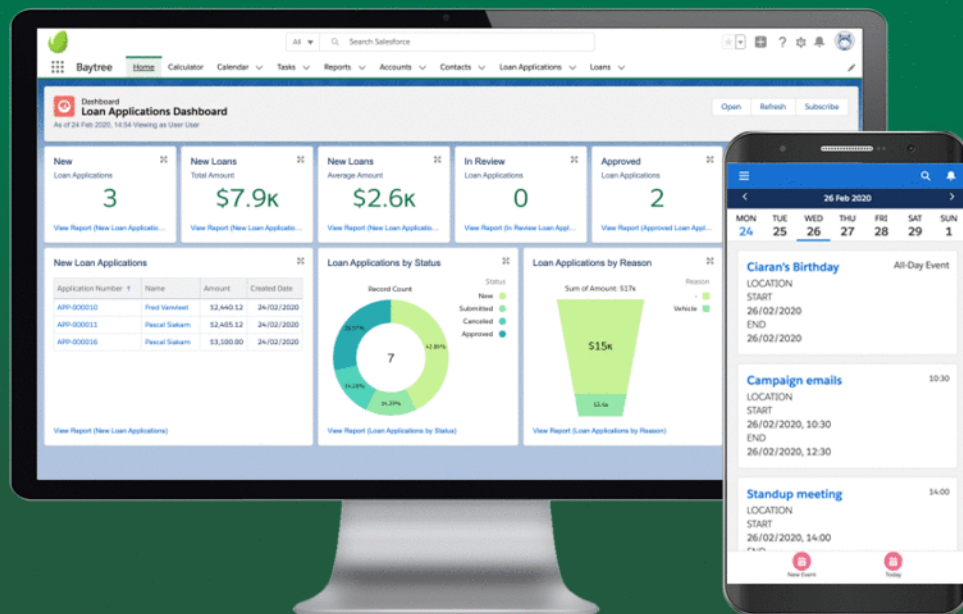
Oikocredit Lending \$9m Along Cocoa Value Chain in Côte d'Ivoire

Netherlands-based cooperative investor Oikocredit recently opened credit lines for entities involved in the cocoa industry in Côte d'Ivoire with ceilings equivalent to: USD 4.3 million for Entreprise Coopérative Kimbe (Ecookim), a union of cooperatives that exports cocoa; USD 3.1 million for cocoa exporter Ocean SA; and USD 1.2 million for the cocoa cooperative Socak Katana. The proceeds will allow the borrowers to boost their acquisition, processing and exports of cooperative members' crops. Diane Potey, Oikocredit's investment officer in West Africa, said that in addition to funding, “we help our cocoa partners to strengthen their capacities in financial management, risk management and agricultural practices.” Ecookim works with 23 cooperatives whose membership includes 21,000 cocoa producers and 1,500 cashew producers. Ocean SA has 15 employees, and its primary buyer is Cocosource of Switzerland. Both entities are certified for their sustainable cocoa production practices by Fair Trade USA and the Utz initiative of the Rainforest Alliance. Socak Katana procures raw cocoa from its 3,000 members for processing and sale to local and global buyers. It also “educates producers on issues related to gender balance, climate change and child protection.” January 1. 2021

Pakistan Approves Proposals via Regulatory Sandbox

The Securities and Exchange Commission of Pakistan recently introduced a regulatory sandbox, inviting companies to propose pilot tests of financial services that are not clearly covered by existing rules. The six that it approved promise: digital insurance that complies with Islamic law, digital insurance brokerage, equity crowdfunding, peer-to-peer lending, robo-advisory services and a platform for purchasing mutual funds. December 30. 2020

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EUROPEAN MICROFINANCE PLATFORM

NETWORKING WITH THE SOUTH

SPECIAL REPORT

This final feature of a sponsored series on European Microfinance Week 2020, describes a portion of the proceedings, which took place online from November 18 through November 20. The event is held annually by the European Microfinance Platform (e-MFP). MicroCapital has been engaged to promote and report on the conference each year since 2012.

Lessons, Tools for the Pandemic from Prior Microfinance Crises

Deborah Drake of Accion's Center for Financial Inclusion (CFI) noted that the effect of COVID-19 on the financial inclusion industry "is a different crisis because it is global," compared to past crises, which were centered on single economies. In these more limited downturns, microfinance investors had sufficient capacity to inject cash into the stronger financial services providers (FSPs) to help them survive. The global nature of the current downturn, however, may exceed the capacity of investors to sustain all the "worthy" FSPs. "There is inevitable consolidation that will take place," Ms Drake said.

Donna Nails of Finex BH Consulting described her work training FSP staff to reevaluate each borrower's ability to make loan payments, even partial ones. She found this to be key in helping Bosnian FSPs survive the microfinance downturn that began there in 2008.

Daniel Rozas of e-MFP agreed that the effects of the crisis are very client-centric. Hence he suggested drilling down into FSP data to group clients by repayment performance since April. This can assist with both collections and deciding where to continue lending, which is critical to cash flow. Ms Nails performs this analysis using a grid in "heat map" format. Rather than the usual 30-day metric, she says, clients "shouldn't be one day late" with their payments.

Regarding the caution warranted in issuing fresh loans, Ms Drake noted the example of an FSP that changed its incentive structure for loan officers to reward collections rather than new loans. Mr Rozas cited an FSP in Kazakhstan that was having trouble with collections during the financial crisis 10 years ago. By chance, one branch of the FSP had begun experimenting with group lending just before the downturn. The group loans performed well, and the FSP expanded the product across its network.

Ms Drake cited CFI case studies indicating many FSPs will shrink. Ms Nails argued that CFOs of FSPs tend to understand this as the price of survival, while CEOs tend to be resistant. Mr Rozas anticipates that investors may be forced to convert debt to equity in some cases. This would echo the resolution of the crisis in the Indian state of Andhra Pradesh that began in 2010 but that "nobody wants to talk about."

Regarding FSP survival, Mr Rozas argued that a common theme among those that survived past crises was their transparency with investors. This led to investors being more transparent, in turn. FSPs that were not transparent did not survive. Foreseeing continued difficulties ahead, Ms Nails said, "The stress tests scare me. The delinquencies are coming in... 2021."

In the closing portion of the session, Ivo Jenik of CGAP described a crisis management "roadmap" that his team has been building. The document targets smaller FSPs, suggesting actions, targets and links to 200 documents and tools from past crises as well as the current one.

Digital Loans for Businesses; Protection for Individuals

Michael Rothe, the co-founder of UK-based Flow, said that "most development finance institutions think digital credit is dangerous." Although Flow is a digital lender, he argued that its model is different because it lends only to businesses. During the lockdowns of the COVID-19 pandemic, some Flow customers - many of whom operate shops that offer mobile-money services as a sideline - were able to remain open and even enjoy an uptick in transactions. This is partially because governments encouraged the use of mobile money in an effort to minimize virus transmission. While other lenders stopped operating during the early days of the pandemic, Flow continued to lend, resulting in strong brand loyalty, according to Mr Rothe. The ratio of the firm's portfolio at risk peaked at 50 percent during the pandemic, but it has since cooled down to 8 percent.

Mr Rothe pointed out that Flow does not make credit decisions on personal data because he believes, "Business data has way more predictive power than personal data." For example, Flow has accepted many mobile-money agents as customers because their financial activity is so well documented. Data from ride-hailing apps can make it much safer to lend to purchase a motorbike. Since the pandemic began, many restaurants have begun selling meals via apps for the first time. This automation of data offers another opportunity for digital lenders to small businesses. With many of Flow's customers growing during the pandemic, Flow has expanded its loan book to USD 250,000 after two years of operation. The firm has not done this by trying to convince people to borrow responsibly, Mr Rothe said. Instead, it looks for opportunities where the data are already rich.

As robust financial data can boost lending, Anup Singh of MicroSave Consulting (MSC) argued that psychometric data also has significant potential to improve access to finance for micro- and small businesses. Ben Wallingford of MFR, formerly known as MicroFinanza Rating, joined Mr Singh in expressing concern about proprietary credit scoring algorithms. Instead, processes can be documented and tested to show they lead to repayment rather than over-indebtedness. Mr Wallingford also noted that terms of service are sometimes too opaque, such as when they are sent as web addresses via SMS text messages to users without internet access. Particularly regarding practices relating to more sensitive information, such as location data, Mr Wallingford argued that terms should be made more visible, rather than "buried" in jargon.

In addition, Mr Wallingford discussed the idea of combining low- and high-touch models. For example, while the profit on a nano-loan will not cover the cost of an in-person meeting, a site visit may be warranted to respond to a digital application for a larger loan. For lower risk loans, a phone call may be sufficient.

Mr Singh noted that the "digital divide" is growing among women versus men, rural versus urban dwellers and older versus younger people. This is partially due to differing rates of digital literacy among these groups. Mr Singh added that "interest rates are still very, very high" for digital loans despite the "idea that over time, there would be a better profile of the client, lowering costs; but we haven't seen this yet." Mr Singh also expressed concern about multiple borrowing. "We are seeing 62 percent of borrowers have more than one digital loan." This is exacerbated in some cases by problem gambling. Online gaming firms have been luring low-income people by offering bets as small as the equivalent of USD 0.10. Regarding unscrupulous lenders, Mr Rothe argued that "rather than try to change the villains, better to work with the good providers."

Mr Wallingford argued that digital financial services have the potential for more outreach, but, "This can only be realized if services are delivered in a responsible manner." One practice he suggested FSPs abandon is advertising that the customer must "use it or lose it," implying that forgoing a loan now is forgoing the option of a loan in the future.

Strong Motivation to Save, “Extreme Resilience” Despite “Smothering” Loan Offers

Stuart Rutherford of the Hrishipara Daily Diaries Project suggested thinking of savings as two separate services, collection and storage. While storage is of primary importance for a person with regular paychecks deposited electronically into a bank, collection is critical for cash earners. This is why the services of *susu* workers, who collect deposits and return withdrawals door-to-door, are so valuable that people are willing to pay fees for them. Mr Rutherford noted, “All the diaries I’ve [collected in Bangladesh] show that poor people have a strong propensity to save.” He said there has been a move toward *susu*-style collections over the last 20 years, away from “do-it-yourself” methods such as savings clubs or having a trusted neighbor hold one’s cash. Most people he has data on have more money saved than they owe in loans. People often get in the habit of saving and then continue to do so even in tough times such as during the COVID-19 pandemic.

Luis Treviño Garza of the Alliance for Financial Inclusion stated, “There is increasing interest among regulators in promoting savings... [as] savings is really crucial... above credit.” He also noted there is a “significant male-female disparity” in the usage of financial services, “especially with savings.” For example, women choose informal options, such as savings groups, over formal options more often than men do. In response, Egypt and Zambia are working to digitize savings groups, with the aim of increasing women’s financial inclusion. Among the challenges are that regulators must protect the flow of transactions handled by financial technology (fintech) firms while finding ways to meet know-your-customer (KYC) requirements in a cost-effective manner.

Dr Elisabeth Rhyne, who founded CFI, argued that it often is not in clients’ best interest to save in an institution. Inflation might be so high that too much value is lost while the money sits in a savings account. Are there better uses for the cash, such as an investment in the family home that can bring in rental income? Dr Rhyne agreed with Mr Rutherford that people are interested in saving. Instead it is institutions that need incentives to offer savings. “While digitization is expensive,” she said, it can be the tool that “drives down the cost of collecting very small amounts of savings.”

Reiterating the value of savings, Mr Rutherford said, “The thing I would ask MFIs [microfinance institutions] to do is stop smothering their clients with loans.” For example, he said, MFIs sometimes threaten to close a person’s savings account if she or he doesn’t borrow. Hence savers sometimes accept unwanted loans just to protect their savings accounts. Mr Rutherford argued that stakeholders must persuade MFIs to lend in ways that simultaneously support savings, for example, by offering “hybrid” products that combine savings and loans. One way to do this is to lower the price on loans up to the amount of a person’s savings balance.

Regarding the pandemic, Dr Rhyne noted, “There was a big concern early on by FSPs that there would be massive withdrawal, but that didn’t turn out to be the case.” Mr Rutherford said that according to his organization’s data, “It turned out people had surprisingly large amounts of cash at home.... During lockdown, they tightened their belts.” They “stopped spending on clothes completely,” while spending on “food stayed more or less steady.” Even among the 25 percent of diarists earning less than the equivalent of USD 2 per person per day, people did not generally miss meals after the onset of the pandemic. “We have in our diaries documented evidence of people’s extreme resilience during times of crisis.”

VSLAs Address Domestic Violence; Lack of PPE, Education, Cash

Upon the onset of the COVID-19 pandemic, several affiliates of Switzerland-based CARE International surveyed members of village savings and loan associations (VSLAs), which commonly comprise 30 women, to learn how they were adjusting to the pandemic and what support they needed. Maryam Garba Usman explained CARE Nigeria’s survey of 100 VSLAs, largely conducted via an interactive voice-response telephone system. The team also used a mobile app to distribute information on COVID-19 and a range of gender-related issues. Most groups continued to meet in person, incorporating social distancing. In addition to performing financial services, VSLA members addressed problems such as gender-based violence, child marriage, interruptions to children’s education and how to boost adult learning. CARE Nigeria also leveraged VSLAs to deliver government-supplied recovery funds.

Clement Bisai of CARE Malawi noted that the pandemic pushed the organization and the VSLAs it supports to use phones more in lieu of in-person communication. The surveys in Malawi documented an increase in gender-based violence during the pandemic. COVID-19 also increased the urgency of connecting VSLAs to formal financial services due to members’ increased funding needs. In addition, CARE Malawi used VSLAs as a channel to distribute personal protective equipment.

Muhammed Bizimana of CARE Haiti noted that his country was affected later than others by the pandemic, allowing it to learn from the experiences of others. There was an early awareness that keeping VSLAs functioning during the pandemic could be useful both to respond to immediate household needs as well as to implement future recovery. Echoing speakers from other regions who spoke at other sessions during the conference, Mr Bizimana noted that Haiti had been suffering from political and humanitarian crises before the pandemic, which made it less of an emergency in some ways.

Anticipating that an all-digital survey would have been off-putting to many in Haiti, CARE Haiti used a combination of digital data collection and in-person surveys via VSLA facilitators. The results indicate that men tend to rely on radio and Whatsapp to monitor news about the pandemic, whereas women are more likely to get information from one-on-one interaction, including via VSLA meetings. Some of these groups adapted to COVID-19 by cutting their weekly 30-person meetings into sub-groups of 10. To do this, the VSLA committee stays at the meeting location while sub-groups come through in turn to conduct business. Mr Bizimana argued that “VSLAs remained at the heart of members’ wellbeing...”

Ms Usman observed that in Nigeria, “Women have begun to make changes in the community and in households....” They have been managing new hand-washing stations to reduce disease transmission. They have accessed national government programs promoting women’s empowerment. They are bringing community requests to local government, such as regarding the need for vocational centers. VSLAs are also forming statewide and national associations to increase their effectiveness.

Regarding lessons learned, Mr Bizimana said he would have preferred to have had a mechanism encouraging people to save a portion of their COVID-19 relief funds. He also is ready to see CARE staff delivering fewer services, in favor of local stakeholders taking on more of those roles. These leaders and the VSLAs have working relationships that can be leveraged efficiently, he says. “VSLA and village agents are really at the center of the adoption of new technologies and processes.” 📌

EAR TO THE GROUND

Pandemic Inequity: Can Financial Services Step in to Support Women's Work? Not Alone

I visited my dry cleaner this week for the first time in months. A Chinese immigrant and single mom, she also takes care of her mother, who has Alzheimer's disease. Prior to the pandemic, she paid a caretaker to tend to her mother while she worked 10 hours per day, six days per week. At the start of the pandemic, she didn't feel safe letting the caretaker in the house, so she closed her shop. Business was basically dead anyway. (Who of us dry cleaned our clothes in April 2020?) Over the past few months, though, she has been reopening gradually: first just to make some outstanding deliveries, then two days per week and now four. She told me that she has not been able to keep up with rent since March 2020. Even with the moratorium on commercial rents in New York City extended until May 2021, she doesn't have much time to figure out how to make up her missed payments. Meanwhile, her mother needs her at home, so she continues to limit her business hours.

While so many people have been hit by the pandemic, women seem to have fared worse than men. According to the September 2020 *Monthly Labor Review* from the US Bureau of Labor Statistics, more women than men work in the hardest-hit sectors, such as restaurants, retail, hospitality and health care. Meanwhile, many are taking on additional responsibilities for childcare and eldercare because schools and other facilities are closed. Only 22 percent of women - vs 28 percent of men - have jobs that allow telecommuting. The *Review* article estimates that 15 million single mothers are the most severely affected in the US.

Although the situation here does not bode well for women's livelihoods, I am even more concerned about women in poorer countries. Back in 2008, I visited Peru while a combination of high commodity prices and plentiful global liquidity was playing in the country's favor. GDP was

growing quickly, and unemployment was falling sharply, drawing more women into the labor force. Among the signals of women's economic participation was a sign I saw in a restaurant that said, "We are hiring - women too." Just four years later, despite the global economic crisis, a World Bank study noted that nearly one third of the reduction in poverty and inequality in Peru was the direct result of increased participation of women in the labor force.

Today, these gains, which had continued until the onset of the COVID-19 pandemic, may be at risk. According to INEI, Peru's statistics bureau, seven of 10 jobs held by women are informal, and many are in sectors that are relatively vulnerable to economic hardship from lockdowns and other causes. The services and commerce sectors, for example, employ 90 percent of female urban workers. According to the UN's ILO, 70 percent of urban women work in the informal sector worldwide and thus have minimal access to sick pay or health insurance.

To avoid losing the gains made in recent years, we need to get women back to work. Financial services alone cannot solve this challenge. Solutions will require collaboration among policymakers, employers and (both male and female) citizens. But financial services providers can and must collaborate with these other stakeholders to ensure that financial products and services are supportive of women - now more than ever. The first step may be to spend some time thinking about where women have been hit hardest and how we can address these constraints.

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).






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UPCOMING EVENTS

Africa Agri-Trade & Finance Forum

May 26, 2021; Nairobi, Kenya

This event offers sessions on 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 on the event 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: “The Role of the Diaspora,” financing agriculture, value chains, magnifying 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 value-added tax. You may seek more details via <http://www.investinginafrica.eu>, [info\[at\]investinginafrica.eu](mailto:info[at]investinginafrica.eu) or +31 616 950 384.

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 Macroprudential Policies” and “Goal Congruence Contract Between the Manager and the Loan Officer in Microfinance.” Researchers may submit papers for possible presentation at the conference until March 1. 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 11 - October 12, 2021; London, UK

AFSIC offers sessions on 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 allowing attendees to arrange meetings in advance of the event. The full registration fee is GBP 1,295, with various discounts offered, including for several early registration dates, the soonest of which is April 30. For more details, you may visit <https://www.afsic.net/> or email [event\[at\]afsic.net](mailto:event[at]afsic.net). No telephone number is offered.

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 - NEW DATES

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 🇺🇸

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PAPER WRAP-UPS

Gender Equity in Development Finance Survey

By Nancy Lee, Megan O'Donnell and Kelsey Ross;
published by the Centre for Global Development;
September 2020; 14 pages; available at <https://www.cgdev.org/publication/gender-equity-development-finance-survey>

Based on a survey of 16 development finance institutions (DFIs), this document presents data on how they “incorporate gender objectives or analysis when developing investments, assessing development effectiveness, sourcing deals and making investment decisions.” On a scale of zero to 100, the average scores were 68 and 54, respectively, for external and internal activities. As for external scores, the top performers were IDB Invest, a member of the Inter-American Development Bank (IDB) Group, at 98 and the UK-based CDC Group at 88. For internal operations, the top scorers were IDB Invest and the World Bank Group's International Finance Corporation, both at 79.

Half of the DFIs do not incorporate gender scores into investment decision-making. Most collect gender-disaggregated data, but only 19 percent require staff training on gender inclusion. While 86 percent measure the gender gap in salaries, only 21 percent publish these data. Only one DFI buys supplies from women-owned enterprises.

The study closes with the following recommendations for DFIs: (1) Improve the transparency of internal operations by publishing gender-disaggregated data on vendors, hiring, staff salaries, percent of female managers and percent of female board members; (2) Create targets to increase the number and share of outgoing gender-lens investments; (3) Mandate gender-inclusive training to strengthen investment design; (4) Consider gender-related impact in every investment decision; and (5) Collaborate with private investors on policies and initiatives promoting women's empowerment, such as the 2X Challenge.

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Debt Relief in the Pandemic: Lessons from India, Peru and Uganda

By Elisabeth Rhyne and Eric Duflos, published by CGAP (Consultative Group to Assist the Poor), December 2020, 13 pages, available at https://www.cgap.org/sites/default/files/publications/2020_12_COVID_Briefing_Debt_Relief.pdf

The authors of this paper collected materials regarding debt moratoria that financial services providers (FSPs) extended to borrowers in India, Peru and Uganda in response to the COVID-19 pandemic. Across the three countries, a minimum of one third of loans were put in moratoria, smaller loans more commonly than larger ones. In Uganda and India, borrowers were being charged interest during moratoria. The Peruvian government offered FSPs loan guarantees contingent on them reducing interest charges on the paused loans.

Among the authors' recommendations were: 1) Consumers should always be given the option to decline moratoria; 2) Stakeholders should improve communication regarding the terms of moratoria; 3) Regulators need to improve their monitoring of customer needs, such as via consumer associations; 4) Greater regulation should be applied to digital lenders to reduce the likelihood of them taking advantage of borrowers in times of elevated need; and 4) FSPs should investigate any negative impacts of moratoria on borrowers' credit scores, which all three governments ordered shall not occur.

Microcredit Regulation in Europe: An Overview

By Cristina Ruesta and Nicola Benaglio, published by the European Microfinance Network, January 2021, 21 pages, available at https://www.european-microfinance.org/sites/default/files/document/file/mr_2021_FP.pdf

Among the 24 countries under consideration, the applicable legal frameworks vary significantly. For example, there is no consistent maximum loan size. The term “microcredit” is used broadly, sometimes in conjunction with small equity investments and support mechanisms such as guarantees and technical assistance. Half of European microfinance institutions (MFIs) include personal microcredit in their product portfolios.

Nine countries have specific legislation for microcredit, including Albania, Bosnia and Herzegovina, Kosovo, and Montenegro. Their laws outline how to establish and operate non-bank MFIs, such as what entity types are allowed, minimum capitalization, funding options and permissible products.

In 12 countries, including Bulgaria and North Macedonia, microcredit legislation does not exist, but non-bank lenders may operate, although they may not accept deposits.

In three countries, including Serbia, microcredit legislation does not exist, and microfinance services can only be offered by banks or in partnership with them. 🇪🇺

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