

MICROCAPITAL BRIEFS | TOP STORIES

Bangladesh Sets Limit on Microfinance Interest Rates

The Microcredit Regulatory Agency (MRA) of Bangladesh has announced that microfinance institutions (MFIs) will have to limit the interest rates they charge clients to a stated rate of 15 percent or an effective rate of 30 percent. The higher ceiling is aimed at the practice of charging deceptive "flat" interest rates on the original amount of the loan, even as the loan balance declines. In addition MFIs are barred from collecting deposits totaling more than 80 percent of their total outstanding loan portfolio. The MRA also encouraged NGOs offering microfinance to isolate their other business activities in order to keep these operations from falling under its supervision. May 6, 2009

Kenya's K-Rep Bank Replaces Manager After \$4.4m Loss in 2008

K-Rep Bank, a Kenyan commercial bank that targets the microfinance sector, appointed Gerard Monteiro as Chief Operations Advisor after reporting a pre-tax loss equivalent to USD 4.4 million for 2008. This is in contrast to a USD 1.6 million pre-tax profit in 2007, at which time K-Rep reported 153,000 active borrowers and a gross loan portfolio of USD 81 million. One sign of trouble was a spike in non-performing loans from USD 5.4 million to USD 12.6 million in one year. Other issues included a failure to mobilize additional deposits after opening three new branches, failure to increase lending, decreasing liquidity, high costs due to overstaffing, rapid salary increases and a move of headquarters to a higher-cost location. In a separate report, the African Development Bank announced the investment of USD 2.2 million in K-Rep. May 11, 2009

BASIX Subsidiary BSFL Raises \$9m, Investors Exit

Bhartiya Samruddhi Finance Ltd (BSFL), an Indian microfinance institution, has received USD 9.87 million in Series-B funding from several investors including Lok Capital LLC, Aavishkaar Goodwill India Microfinance Development Company and Small Industries Development Bank of India. Prior investors in BSFL - including International Finance Corporation, Shorecap International Ltd and ICICI Bank - partially exited by selling a combined USD 4 million stake to the new investors. BSFL, the flagship company of the BASIX group, reports a gross loan portfolio of USD 56 million and 305,000 borrowers. May 3, 2009

NEXT MONTH:

Meet the Boss Interview with BlueOrchard Finance CEO Jean-Pierre Klumpp

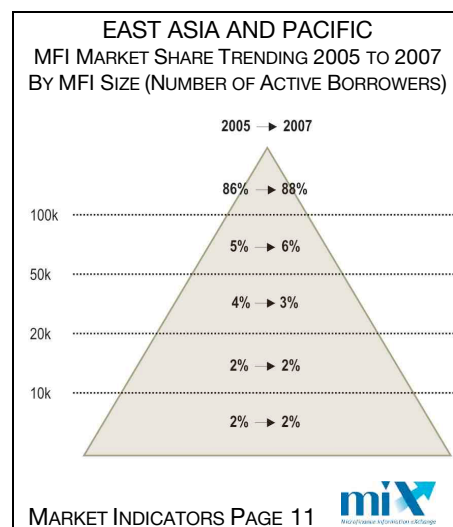
CGAP MICROFINANCE DEALBOOK

MICROFINANCE CAPITAL MARKET
TRANSACTIONS EVERY MONTH

DEALBOOK PAGE 9



INSIDE	Page
MicroCapital Briefs	2
Microfinance news	
CGAP Microfinance Dealbook	9
Capital market transactions	
Meet the Boss	10
Arnaud Ventura, PlaNet Finance	
Market Indicators	11
Courtesy of the MIX	
Upcoming Events	12
Industry conferences	
Paper Wrap-ups	13
Latest research and reports	
Subscribe to the Monitor	16



MICROCAPITAL BRIEFS

UN's IFAD Issues \$48m for Microfinance

The United Nations International Fund for Agricultural Development recently endorsed a new policy aimed at promoting increased access for poor people to rural financial systems. Of USD 195 million in loans and grants approved, two transactions specifically address microfinance: a USD 23.89 million grant to be implemented in partnership with the Microfinance Investment Support Facility for Afghanistan and a USD 25.04 million loan for a USD 30.76 million project in Mali. May 13, 2009

In Sri Lanka, 40% of LB Finance Loans Go to Microborrowers

The *Daily Mirror* of Sri Lanka has reported that 40 percent of LB Finance's lending for the fiscal year ending in March was to microborrowers. Much of this is due to the microleasing of three-wheel vehicles and agricultural equipment. Microleasing is attractive for lenders because it furnishes borrowers with collateral, which they may not otherwise possess. LB Finance is a publicly listed company with total assets equivalent to USD 91.3 million. May 12, 2009

Dutch FMO's Microfinance Investments Total \$160m Since 2007

The Netherlands Development Finance Company (FMO), founded by the Dutch government in 1970 to support the private sector in developing countries, invested the equivalent of at least USD 160 million in microfinance services between January 2007 and March 2009. (As FMO does not publish a list of its microfinance activities, this review utilizes secondary sources and should not be considered comprehensive.) FMO invests through its own account (FMO A) and the government-managed MASSIF fund, which extends risk capital and local currency to financial intermediaries. Notable investments include: (1) a pair of investments totaling USD 6.7 million in commercial K-Rep Bank of Kenya in which FMO holds a 5 percent stake and (2) a USD 27.3 million investment in the AfricInvest Financial Sector Fund, which is managed by AfricInvest Capital Partners, a private equity investment manager initiated by FMO and Tuninvest. FMO was also involved in the creation of the Currency Exchange Fund, which provides currency and interest rate hedging products in developing countries. For more deals and details, please see <http://www.microcapital.org>. May 12, 2009

Venezuelan Development Bank BANDES to Open Branch in Angola

Jesus Alberto Garcia, Venezuela's ambassador to Angola, has announced that Banco de Desarrollo Económico y Social de Venezuela (BANDES), in which the Venezuelan government holds a 75 percent stake, will open a branch in Angola next year. In addition to its operations in Latin America, BANDES already operates branches in Syria and Mali. May 12, 2009

CreSud Invests \$900K in Three MFIs in Honduras and Peru

CreSud SpA, an Italian private investment company, recently reported three investments to the CGAP Microfinance Dealbook: an equity investment of USD 400,000 in Proempresa Edpyme of Peru, a loan of USD 250,000 to Comixmul of Honduras and a loan of USD 250,000 to Unidad Microfinanza Arariwa (UMA) of Peru. Proempresa was founded in 1997 by the IDESI Network, which consists of 12 local associations that offer business services to microenterprises. Proempresa reports a gross loan portfolio of USD 29.5 million, 30,000 active borrowers, a debt-equity ratio of 499 percent and return on assets of 2.04 percent. Comixmul, a Honduran cooperative, reports total assets of USD 15.9 million. UMA is an NGO with 14,000 borrowers and a gross loan portfolio of USD 3.9 million. CreSud, with microfinance assets of USD 3.7 million, raises funds through bond sales. May 11, 2009

A Review of KfW's Microfinance Investments Since 2007

KfW Entwicklungsbank (KfW), a development bank that invests on behalf of the German Federal Ministry for Economic Cooperation and Development, has invested over USD 250 million in microfinance since January 2007. As KfW does not publicly release data on its microfinance investments, this total is based on secondary sources and should not be considered comprehensive. With involvement in 100 microfinance projects in 60 countries, KfW reported a project portfolio equivalent to USD 1.1 billion at the end of 2007. During that year, KfW and the International Finance Corporation jointly committed USD 1.1 billion over three years to support microfinance institutions in Asia. In September 2007, KfW invested USD 26.8 million in a Deutsche Bank securitization of subordinated microcredits. KfW also made sector-wide investments of USD 14 million each in Ghana and the Democratic Republic of Congo. For more details, please refer to <http://www.microcapital.org>. May 8, 2009

Global Microfinance Fund Loans \$10m in Peru, Paraguay

Swiss asset management firm responsAbility has reported to the CGAP Microfinance Dealbook four loans that were made by its Global Microfinance Fund. Three of these were disbursed to Peruvian microfinance institutions: USD 7.5 million to MiBanco, the equivalent of USD 1 million in local currency to Proempresa and USD 500,000 to Caritas del Peru. A loan of USD 1.5 million was also granted to FIELCO of Paraguay. MiBanco is a private bank, reporting 361,000 borrowers and a gross loan portfolio of USD 781 million. Proempresa reported 30,000 active borrowers for 2007 and a gross loan portfolio of USD 29.5 million. Caritas del Peru serves 24,000 borrowers and reported a gross loan portfolio of USD 14.8 million for 2007. FIELCO reports 67,000 active borrowers, 14,500 savers and a gross loan portfolio of USD 54.7 million. May 8, 2009

MicroVentures Invests Equity in India, Makes Loans in Peru

MicroVentures, a microfinance investment vehicle, has reported four loans to the CGAP Microfinance Dealbook. Equity investments were made in two Indian microfinance institutions: USD 4.4 million in Equitas Microfinance Ltd and USD 3.7 million in Sahayata Microfinance Ltd. Equitas Microfinance Ltd serves 16,000 borrowers and reports total assets of USD 4.8 million. Sahayata serves 37,000 female clients and plans to use the funds raised to reach 150,000 clients by March 2010. MicroVentures also granted two loans in Peru: a USD 1 million loan to Caritas del Peru and a USD 750,000 loan to Fondesurco. Caritas has 24,000 clients and reported total assets of USD 17.7 million for 2007. Nonprofit Fondesurco reported total assets of USD 4 million for 2007. May 8, 2009

MicroCapital Monitor - © 2009 MicroCapital - ISSN 1935-505X
The MicroCapital Monitor is published monthly by MicroCapital
Editor David Satterthwaite

Director of Operations Bob Summers

Writers Laura Anderson, Jaclyn Berfond, Andrea Chu,

Sally Levy, Bharathi Ram and Zoran Stanislevic

Special thanks to Diego Guerra Tavera and Melissa Alvarez

For questions, comments or suggestions, please write to
info@microcapital.org or call +1 617 648 0043, Boston, USA

MicroCapital would like to recognize the individuals at CGAP, the Microfinance Information Exchange (MIX) and the Microfinance Gateway for their outstanding work disseminating information on microfinance. Thank you!



- ☺ Consulting and expertise provided to 228 microfinance institutions and banks
- ☺ 96 rating missions
- ☺ EUR 125 million lent to 52 microfinance institutions
- ☺ 4 microfinance institutions serving 25,000 clients
- ☺ Credit life microinsurance for 85,000 microentrepreneurs
- ☺ Direct equity investement in 23 very small businesses in France
- ☺ 16 microfinance institutions equipped with a leading Software Solution
- ☺ More than 600 professionals trained

PLANET FINANCE OFFERS A SET OF SERVICES VIA DISTINCT INDEPENDANT AND SPECIALISED UNITS



www.planetfinancegroup.org

This report available by SUBSCRIPTION ONLY: Support this emerging industry by subscribing and advertising via www.MicroCapital.org

Islamic Development Bank Invests \$10.7m in Jordan

The Islamic Development Bank, which counts 56 member nations, has signed financing agreements worth USD 10.7 million with the Kingdom of Jordan. An unspecified portion of a USD 10 million soft loan will support small Islamic microlenders. A USD 350,000 grant will be used for training and to extend technical support to microfinance institutions. A USD 300,000 grant will support a project for small farmers in Al Mudawara region. May 8. 2009

Fonkoze Event Covers Remittances to Haiti

A recent video conference linked Haitians in Port-au-Prince with expatriates across the US to discuss how to improve financial literacy. The event was organized by Fonkoze, a microfinance institution that offers remittance services. USD 1.8 billion in remittances were sent to Haiti from abroad in 2008. May 8. 2009

Cambodia's ACLEDA Brought Into Profit Debate

A recent Public Radio International story covered the meteoric growth of Cambodian microfinance institution ACLEDA Bank: "On average, the bank has doubled in size every year since it transformed from an NGO in 2003, with current growth slowed to around 30 percent.... Rates of some micro-loans run as high as 60, 70, even 100 percent a year.... One woman, who did not want to give her name, said: 'It's not a good idea. It's not fair!'... One customer that has grown with ACLEDA is Hey Sepana and her husband, Sren Scrouen. They were retail sellers of propane gas for cooking but now sell wholesale. They're on their fourth loan, but the first that's not microfinance. It's a small business loan for USD 4,000 that has an annual interest rate of just 24 percent. As a fully-fledged bank, ACLEDA also offers them 24-hour customer service and a Visa debit card." May 8. 2009

Central Bank of Kenya Pushes New Branchless Banking Rules

The *Daily Nation* newspaper has reported that the Central Bank of Kenya is pushing for new policy guidelines for improving the reliability of popular branchless banking technologies. "We are making our services easily accessible to the financially marginalised population in the country," said Phyllis Mbugu, CEO of Kenyan microfinance institution Small and Medium Enterprises Programme. May 8. 2009

Dunia Finance Reaching Out to Laborers in UAE

Dunia Finance, with 600 staff people and capital equivalent to USD 158 million, is reaching out to provide financial services to the 3.2 million laborers in the United Arab Emirates, each of whom generally earns up to USD 325 monthly. The Microfinance Information Exchange lists no microfinance institutions in the country. Credit reporting is also a fledgling effort here, with credit bureau Emcredit recently reporting plans to cover the majority of the banking population by the end of 2009. May 7. 2009

Oikocredit Loans \$2.3m to Four Microfinance Institutions

Oikocredit Ecumenical Development Cooperative Society of the Netherlands has reported to the CGAP Microfinance Dealbook that it closed four loans during April: a one-year USD 75,000 loan to the Kitunda SACCO in Tanzania, a four-year loan of USD 91,000 to Intellect of Russia, a three-year loan of USD 2 million to the First Microfinance Bank of Tajikistan and a three-year USD 132,000 loan to PMRCA Perelik in Bulgaria. With outstanding loans of USD 484 million, Oikocredit distributes its funding as follows: 40 percent in Latin America, 27 percent in Asia, 18 percent in Central and Eastern Europe and 14 percent in Africa. Oikocredit offers investors an annual dividend of 2 percent on investments of at least USD 50,000. May 6. 2009

Conference: 7 – 8 July 2009 | Master Classes: 9 July 2009 | Venue: Hilton Euston Hotel, London

Book by
May 1st and
you save up to £400

Surviving the Liquidity Crisis & Ensuring Sustainable Growth From Investments in Microfinance



Join microfinance leaders from foundations, development banks and the private sector as they analyse and discuss your key industry concerns

Over 40 Faculty Members Include:



Chair
Asad Mahmood,
Managing Director,
Global Social
Investment Funds
Deutsche Bank

Anthony Stam
Head of Group
Treasury
COFRA Group

Cedric Lombard
CEO
Symbiotics

Loïc De Cannière
CEO
Incofin
Investment
Management

Shafiq Choudhury
President
ASA.

Elizabeth Littlefield
Director & CEO
CGAP

Jurgen Rigterink
CIO
FMO

Monika Beck
Division Chief Private
& Financial Sector
Development
KfW

Mary Ellen Iskenderian
President & CEO
Women's World
Banking

Jean-Philippe de Schrevel
Founder
Blue Orchard &
CEO of Bamboo
Finance

André Laude
CIO Micro, Structured &
Small Business Finance,
Global Financial Markets,
IFC

Dr. Shamshad Akhtar
former Governor
State Bank of Pakistan
and Advisor on Financial
Crisis to President
Asian Development Bank

- Examine how MFIs and MIVs can deploy sophisticated treasury and asset liability management techniques to offset financial risks with **Alexander Schuetz, COO MENA Deutsche Bank and FINCA International, Banco Pichincha & COFRA Group**
- Discover what sources of finance are still available to you with heads of asset finance & managing partners from **Co-operative Bank, Omidyar Network, FMO & ASN Bank**
- What factors are driving continued interest in microfinance investments from institutional investors? **Join Symbiotics, IDF, SKS & PGGM** to find out

PLUS!

- Keynote from the **President of ASA**: Don't miss his analysis of how he has achieved high levels of efficiency and profitability through ASA's unique investment model
- Lessons Learnt from Bolivia & Peru lead by Tim Lyman, Global Policy Director & Expert in Regulation CGAP



To Register: www.leadersinfs.com

Tel: +44 (0)20 3178 8700 • Email: register@hansonwade.com





HARVARD

FINANCIAL INSTITUTIONS FOR PRIVATE ENTERPRISE DEVELOPMENT:

MICRO AND SME FINANCE IN THEORY AND PRACTICE



A practical guide to providing financial services for low-income households and micro, small, and medium enterprises.

The program offers financial institutions the management skills, operational tools, and understanding of policies necessary to operate in a competitive economy and support MSME finance for long-term, nationwide impact.



HARVARD Kennedy School
Executive Education

For more information or to apply, visit www.hks.harvard.edu/ee/summit or call 617-496-0484.

A Review of EBRD Investments in Microfinance: \$1b Since 2007

The European Bank for Reconstruction and Development (EBRD), a multilateral development institution that fosters private sector investment in Central Europe and Central Asia, has supported the microfinance sector with USD 1 billion in loans, equity facilities and technical assistance during the last two years. Support for microfinance is provided through senior and subordinated debt, equity investments and technical assistance. Selected investments include USD 17.5 million in ACBA Credit Agricole Bank of Armenia, USD 16.6 in Belarusian Bank for Small Business, USD 20 million in ProCredit Bulgaria, USD 71 million in the Currency Exchange Fund and USD 75 million in Small Business Credit Bank of Russia. More details are available at <http://www.microcapital.org>. May 5. 2009

Does Microfinance Create Jobs

An April article in UK daily *The Times* quotes Aneel Karnani, Associate Professor of Strategy at the University of Michigan Ross School of Business as saying, "The problem with microfinance is that it simply doesn't do that much to lift the poor out of poverty.... Countries that have lifted people out of poverty have not done it through microfinance. It's been through the development of larger enterprises, which create jobs - for example, in places like China and Vietnam." Helen Alexander of ProCredit Holding, said "While we give uncollateralised loans and give them to very small enterprises, we would never claim to be lending to the poor.... We see our role as deepening the financial sector and strengthening the enterprise sector...with a view to having them create the employment and wealth that the countries need." May 5. 2009

Egyptian Gulf Bank to Enter Microfinance

Egyptian Gulf Bank (EGB) is establishing a microfinance institution (MFI) with capital equivalent to USD 8.2 million. CEO Omar Alseesi reportedly has stated that the MFI will develop a loan portfolio of USD 71 million based on loans in the range of USD 710 to USD 6,200. The launch of a tie-up with Citadel Capital is also in the works to establish a mortgage lender capitalized at USD 21 million. Meanwhile, EGB has partially addressed an extreme portfolio problem: In January 2007 it held a loan portfolio of USD 230 million of which 50 percent was uncovered bad debts. Currently, the debt portfolio is USD 623 million with bad debts down to USD 100 million. May 5. 2009

IFC Encourages "Micro-Leasing" in Rwanda

At a recent workshop organized by Rwanda's Association of Micro Finance Institutions, the International Finance Corporation called upon financial institutions to embrace microleasing, whereby a person with little or no collateral can obtain the use of a productive asset. May 4. 2009

Indonesia's Bank Danamon Raises \$362m

In April, Bank Danamon of Indonesia completed a USD 362 million stock offering. Citigroup Global Markets Singapore and Morgan Stanley Asia were joint standby purchasers on the deal. Danamon's microfinance division, Danamon Simpan Pinjam, accounts for 65 percent of the parent company's profit. Danamon's microloans have grown 20 percent in the past year, reaching USD 1.02 billion and accounting for 17 percent of total loans. May 4. 2009

MIF Invests \$1.6m in Latin American "Micropensions"

The Multilateral Investment Fund, administered by the Inter-American Development Bank, recently committed to a Central American pilot project to develop privately offered micropensions through existing microfinance organizations. For a review of the fund's investments in small and medium-sized enterprises (SMEs), please see <http://www.microcapital.org>. May 4. 2009

Microfinance Interbank Market Opens in Nigeria

The Microfinance Money Market Association of Nigeria (MMMAN), which will allow microfinance institutions (MFIs) to borrow and invest excess liquidity amongst one another, has been inaugurated by the Financial Derivatives Company and Kakawa Discount House. Jaiyeola Laoye, Managing Director and CEO of Kakawa, reportedly has said that rural MFIs, which often deposit funds in conventional banks at an annual interest rate of 15 percent, may be able to earn rates of up to 25 percent through the interbank market. May 3. 2009

Sudan Requires Banks to Direct 12% of Portfolio to Microfinance

To promote microfinance, the Central Bank of Sudan has reportedly established a specialized microfinance unit and is requiring banks to allocate at least 12 percent of their portfolios to microfinance. The effort may partially be in response to the exit of Islamic microlenders (with USD 45 million) from Southern Sudan after a 2005 peace deal banned Islamic lending in the region. May 1. 2009

Bolivia Trade Association Projects Positive Growth

In a recent interview with Business News Americas, Fernando Prado Guachalla, Executive Secretary of the Association of Financial Entities Specialized in Microfinance said, "Fortunately, we haven't felt the [financial] crisis in the microfinance sector in Bolivia." Mr Prado predicts, however, that loan growth will slow to 20 to 30 percent this year. Association members expanded their loan books 42 percent in 2008 while maintaining an average interest rate of 19.5 percent. April 30. 2009



Microfinance 2.0
INNOVATIVE SOLUTIONS TO THRIVE IN THE DOWNTURN
JUNE 15-17, 2009 • SAN FRANCISCO, CA

Attend a unique event that will allow attendees to:

- Expand outreach and increase impact in the developing world
- Compare and contrast models for reaching the Bottom of the Pyramid
- Identify meaningful and profitable microfinance investments
- Move beyond microfinance with mobile banking and other innovative products

REGISTER TODAY! 1-800-882-8684 www.iqpc.com/us/microfinance



PERFECT POINT PARTNERS
Consultants for Microfinance and Microenterprise

www.perfectpointpartners.com

UTI, Invest India and BASIX to Offer Micropension Scheme

The *Economic Times* of India reports that UTI Asset Management, an Indian mutual fund, has teamed up with Invest India Micro Pension Services and Indian microfinance institution BASIX to offer a micropension scheme. The partnership is supported by a technical support grant equivalent to USD 438,000 from German development bank KfW. Under the plan, UTI will offer its UTI-Retirement Benefit Pension Fund to customers of BASIX. The minimum investment is USD 1 per month. The fund invests 60 percent of its assets in fixed income instruments and up to 40 percent in equities. April 30, 2009

Yemeni Agency Plans to Serve 100,000 Microentrepreneurs

The Yemeni government's Social Fund for Development (SFD) has announced a strategic plan to reach 100,000 micro- and small entrepreneurs by 2012. April 29, 2009

Peru's MiBanco Plans to Slow Loan Growth to 30%

MiBanco CEO Rafael Llosa recently informed Business News Americas (BNA) that the microlender will "plan to slow our growth rate to 25 to 30 percent this year.... In light of the current economic environment, the bank is focusing on its core business and has stopped issuing home loans." According to BNA, MiBanco has been ranked as Peru's most profitable bank per its 38.9 percent return on equity. MiBanco oversees USD 830 million in loans with 91 percent in micro-, small and medium-sized enterprises; 7 percent in consumer loans; and 2 percent in home loans. Net 2008 profits totaled USD 27 million. April 28, 2009

AfriCap Lands \$8m in Grants

FinTech Africa, the nonprofit that manages AfriCap Microfinance Fund's technical services facility, has received three grants: USD 5 million from the Bill & Melinda Gates Foundation, the equivalent of USD 2.6 million from the European Investment Bank and USD 750,000 from Dutch development agency FMO. The funding is aimed at young microfinance institutions with capacity building, management improvement and other needs. AfriCap is a USD 50 million investment company investing solely in microfinance across Africa. To date the fund has made 14 investments across 12 countries. April 28, 2009

MicroCapital Series Highlights Microinsurance in Bangladesh

Please refer to <http://www.microcapital.org> for these case studies, which focus on the financial sustainability of microinsurance:

- Bangladeshi Society for Social Services Subsidizes Health Microinsurance Scheme with Microfinance and Investment Profits
 - BRAC provides Micro Health Insurance in Bangladesh - Lessons in Financial Viability
 - Grameen Kalyan Offers Health Microinsurance for USD 1.73 Per Year in Partnership with Pfizer Inc, GE Healthcare and Mayo Clinic
- April 22, April 27 and April 28, 2009

Fitch Confirms AccessBank Rating

Fitch Ratings has confirmed a long-term issuer default rating of "BB+" with a "stable" outlook, short-term issuer default rating of "B," and individual rating of "D/E" for AccessBank of Azerbaijan. The for-profit microfinance institution serves 69,000 active borrowers and holds a gross loan portfolio of USD 208 million. April 28, 2009

Mexico's Independencia Reports Q1 Income of \$8.9m

Financiera Independencia, a Mexican microfinance bank that invests heavily in consumer lending, has reported net income equivalent to USD 8.9 million for the first quarter of 2009. This is a decrease of 40 percent on a year-to-year basis. Net operating revenue of USD 46.6 million fell less than 1 percent over the same period. Independencia reports 1,126,000 clients, a total loan portfolio of USD 337 million and a non-performing loan ratio of 10.9 percent. April 27, 2009

Forbes Plugs Commercial Microfinance

In a recent article in US monthly *Forbes*, Harvard Business School senior lecturer Michael Chu writes that microfinance is a scalable, sustainable model that can significantly reduce poverty - even in the midst of the global recession. He argues that businesses targeting poor people, such as Farmacias Similares and Banco Compartamos, represent a sustainable model that is reason for new optimism in the effort to reduce global poverty. April 27, 2009



Financial Research Associates Proudly Presents

Special Discounts
Available

Microfinance:

The Investment Opportunity for Pensions,
Endowments, Foundations & Social Investors

Small Loans... BIG Returns!

July 13th and 14th, 2009
Washington D.C.

To Register: Call 800-280-8440 or visit us at www.frallc.com

Wholesale Microfinance Bank Andara Launched in Indonesia

Bank Sri Partha, an Indonesian commercial bank, has transformed into Bank Andara, a microfinance wholesale bank, after raising USD 5 million in capital from social investors. Bank Andara will operate as a “bank of banks” to microfinance institutions such as cooperatives and rural credit agencies. Investors include US nonprofit Mercy Corps (42 percent), International Finance Corporation (20 percent), Hivos-Triodos Fund (17 percent) and the Catholic Organization for Relief and Development Aid (17 percent). April 23, 2009

Russia's OAO Sberbank to Target Small Businesses

According to a *Moscow Times* report, OAO Sberbank, the largest bank in Russia, has announced it will begin offering small businesses two-year “microloans” ranging from the equivalent of USD 880 to USD 29,000. Business owners will be required to back loans with personal collateral. The Central Bank of Russia holds majority control of OAO Sberbank, which has 20,000 branches, revenues of USD 8 billion and a customer loan portfolio of USD 161 billion. April 23, 2009

Pakistani Officials Declare “Amnesty” on Microloan Repayments

In Indian magazine *Microfinance Insights*, Roshaneh Zafar of Pakistan's Kashf Foundation recently stated that elected representatives of Pakistan's Punjab province have made statements declaring amnesty from the repayment of microloans. April 21, 2009

Tanzania's National Microfinance Bank to Add 12 Branches

The National Microfinance Bank of Tanzania is set to invest the equivalent of USD 7.5 million to expand its branch network from 128 to about 140 branches and to nearly double its 172 automated teller machines. Chief Executive Ben Christiaanse said, “We think we are in a position that the [financial] crisis will not hit us in an extreme way.” For 2008, net profit increased by USD 7.4 million to USD 36 million, and the bank's cost to income ratio decreased from 55 percent to 50 percent. Microfinance loans of USD 40 million are outstanding to nearly 40,000 customers at an average of USD 3,750 per loan. Loans to all customers total USD 428 million. April 21, 2009

US President Obama Announces \$100m Fund for Latin America

US President Barack Obama has announced a USD 100 million Microfinance Growth Fund (MGF) for Latin America and the Caribbean as part of his response to the global downturn. The Inter-American Development Bank's Multilateral Investment Fund will identify fund managers and define lending strategy. MGF will provide USD 20 million in equity and USD 80 million in medium- and long-term debt financing to microfinance institutions and investment vehicles. Designed as a public-private partnership, MGF is seeking additional investors to raise a total of USD 250 million for the fund. April 20, 2009

India Financial Inclusion Fund Raises \$20m

India Financial Inclusion Fund (IFIF), an off-shore equity fund, has raised USD 20 million in capital, raising its total to USD 58 million. IFIF focuses on equity investments in Indian companies that are “bringing about the inclusion of the poor within the formal financial system.” Although the sources of the new capital were not released, fund investors include responsAbility, the Netherlands Development Finance Company (FMO), Gray Ghost Microfinance Fund, the Global Microfinance Equity Fund, CDC Group and an unnamed US investor. IFIF is managed by Caspian Advisors, which also manages the USD 20 million Bellwether Microfinance Fund. April 17, 2009

Private Equity Inflow to Indian Microfinance Grows 242%

Venture Intelligence of India reports that there were 11 private equity investments worth USD 178 million into the Indian microfinance sector during the year ended March 2009. This is a 242 percent value increase over the three deals worth USD 52 million during the previous year. Anal Jain, managing director of MVA Ventures, a holding of microfinance investment vehicle MicroVentures, said: “We are still positive on the Indian micro-finance industry. This is because the clients addressed by the segment have not been affected by the slowdown, and therefore we expect the deal flow would be robust.” April 16, 2009

Africa Microfinance Growth Centre to Assist Young MFIs

International NGO Unitus and Financial Sector Deepening Kenya have opened the nonprofit Africa Microfinance Growth Center to help senior managers of early-stage microfinance institutions. Omidyar Network, Boeing and Silicon Valley Social Venture Fund also made unspecified contributions. April 15, 2009

Bangladesh Warns Informal Microlenders

Following various cases of abuse, Social Welfare Minister Enamul Huq Mustafa Shahid has announced that the estimated 700 microfinance institutions (MFIs) operating without authorization in Bangladesh should expect that legal action will be taken against them. To obtain licenses, MFIs are required to have financial backing of approximately USD 58,000 and a minimum of 1,000 borrowers. April 14, 2009

Kenya's Equity Bank to Cross-List on Uganda Securities Exchange

Dr. James Mwangi, CEO of Kenya's Equity Bank, has announced that the bank has applied to cross-list on the Uganda Securities Exchange. In April 2008, Equity Bank bought Uganda Microfinance Limited to form Equity Bank Uganda. Established in 1984, Equity Bank has 34 branches and is currently launching operations in Southern Sudan. The bank is also looking to expand into Rwanda and Tanzania with funding from Helios EB. Equity Bank Uganda reports 300,000 customers and an asset base equivalent to USD 1.56 billion. April 14, 2009

Filipino Gcash to Launch Mobile Banking Facility

Globe, a leading Filipino telecommunications company, has announced plans for a mobile microfinance banking facility in partnership with the Bank of the Philippine Islands and holding company Ayala Corporation. The effort will build on Globe's Gcash program, which was launched in October 2004 and allows customers to perform financial transactions such as remittances, loan settlements, disbursement of salaries and bill payment via mobile phones. April 14, 2009

US Deploying Microfinance in Iraq

After years of little information about the use of microfinance by the US government in the war, the US Agency for International Development reports having provided USD 150 million in microloans in Iraq since the 2003 invasion. Currently, USD 59.6 million in loans remain outstanding to 41,000 borrowers. With USD 1 million in startup capital from the US government, Al-Baydaa Center has given out 700 loans over two years. A sampling of Al-Baydaa's loans includes loans in the amount of USD 2,400 for one year at 12 percent interest. April 13, 2009 ♦♦♦

InNyx Centre for Microfinance Development

Microfinance
Development
Experts for
Sub-Saharan Africa

Feasibility Studies
Institutional Design
Executive Search
Process Mapping
Product Development
Microfinance Ratings
Microfinance Training
Implementation of Growth Model
Capital Raising & Investment Strategy

+44 1322 312 078 www.innyx.com ade@innyx.com



TOP MARCH AND APRIL 2009 MICROFINANCE TRANSACTIONS

The CGAP Microfinance Dealbook publicizes microfinance capital market transactions in an effort to bring greater transparency to the industry. Additional deals and further details on the below transactions are listed at <http://www.microcapital.org/cgap-microfinance-dealbook>. Parties to microfinance transactions are also encouraged to submit their deals via this website.

Investor	Investee	Region	Amount (USD)	Type
Public Offering	Bank Danamon	EAP	372,000,000*	Equity
European Bank for Reconstruction and Development	VTB24	ECA	150,000,000	Debt
European Bank for Reconstruction and Development	BCR	ECA	100,000,000	Debt
European Bank for Reconstruction and Development	Center-Invest Bank	ECA	35,000,000	Debt
Yes Bank Ltd	SKS Microfinance	SA	27,200,000*	Debt
International Finance Corporation	Banco Continental	LAC	20,000,000	Equity
Yes Bank Ltd	SKS Microfinance	SA	17,200,000*	Debt
International Finance Corporation	Access Bank	ECA	15,000,000	Debt
IndusInd Bank	Bandhan	SA	14,800,000*	Debt
European Bank for Reconstruction and Development	Raiffeisenbank	ECA	13,400,000	Debt
Punjab National Bank	Bandhan	SA	11,800,000*	Debt
Lok Capital, Aavishkaar Goodwell, Small Industries Development Bank of India	Bhartiya Samruddhi Finance Limited	SA	10,000,000*	Equity
European Bank for Reconstruction and Development	SKB-Bank	ECA	10,000,000	Debt
International Finance Corporation	Microcredit Foundation EKI	ECA	9,370,000	Debt
Yes Bank Ltd	Share Microfin	SA	8,600,000*	Debt
responsAbility Global Microfinance Fund	Mibanco	LAC	7,500,000	Debt
International Finance Corporation	Rawbank	SSA	7,000,000	Debt
Development Credit Bank	Bandhan	SA	4,900,000*	Debt
MicroVentures	Equitas Microfinance Ltd	SA	4,400,000*	Equity
International Finance Corporation	Bai Tushum	ECA	4,000,000	Unspecified
Kotak Mahindra Bank	Bandhan	SA	3,900,000*	Debt
MicroVentures	Sahayata Microfinance Pvt Ltd	SA	3,680,000*	Equity
responsAbility Global Microfinance Fund	EDYFICAR	LAC	3,072,911*	Debt
responsAbility Global Microfinance Fund	Edpyme Raiz	LAC	3,000,000	Debt
Dexia Micro-Credit Fund	FINCA Kyrgyzstan	ECA	3,000,000	Debt
Dexia Micro-Credit Fund	Imon International	ECA	3,000,000	Debt
Dexia Micro-Credit Fund	Kompanion Financial Group Microcredit	ECA	3,000,000	Debt
Yes Bank Ltd	Equitas Microfinance	SA	2,500,000*	Debt
Mercy Corps	Andara	EAP	2,100,000	Equity
Bistum	Crear Arcquipa	LAC	2,061,835*	Debt

Regions: EAP - East Asia and Pacific, ECA - Europe and Central Asia, LAC - Latin America and Caribbean, MENA - Middle East and North Africa, SA - South Asia, SSA - Sub-Saharan Africa

Local Currency: Deals denominated in local currency are indicated by an asterisk (*) in the "Amount" column



This feature is sponsored by:

PlaNNet Finance
Your money can change the world

MEET THE BOSS

Arnaud Ventura is Co-founder and Vice President of PlaNNet Finance; he is also President and CEO of MicroCred. He is based in Paris

Arnaud Ventura

MicroCapital: What is the story of PlaNNet Finance's founding?

AV: PlaNNet Finance was started a little over 10 years ago. In 1997, after completing a master's degree in Information & Communication Technology (ICT) and initiating a couple of internet ventures in France and Asia, I moved to Buenos Aires to work on the development of a bank in Argentina. After a couple of years, on the verge of pursuing a long career in banking, I decided that - before entering the traditional business path - I would like to contribute to creating a better world. At the time I thought the best contribution would be to start a nonprofit venture, which would use ICT to support the development of microfinance, health, education and NGOs. While working on the project's design with a group of friends, I contacted Jacques Attali on a web forum to let him know about my initiative. Although I did not know him personally, Mr Attali was well known as a writer and advisor to the French President Mitterrand. After a first phone conversation, we eventually met in Paris in 1997. I had the opportunity to present him with my initiative, and he spoke of a major paper he had written for a conference at the Aspen Institute describing the failure of international institutions to reduce poverty in the twentieth century and the potential of information technology and microfinance to change this fact in the twenty-first century. The paper ended with a proposal to create PlaNNet Bank. Jacques offered me the opportunity to write the business plan for what would become PlaNNet Finance. This is how we started in 1998.

MC: What was the vision for PlaNNet Finance at its beginning?

AV: The initial project was to create a virtual bank to support the microfinance sector. But in the course of 1998, we launched a pilot project that I led in Kenya. We received advice from numerous leaders in the field such as Muhammad Yunus and Kimanthi Mutua, who supported us from the beginning. This led to the transformation of PlaNNet Bank, a virtual bank supporting microfinance, into PlaNNet Finance, whose goal would be to provide both expertise and finance to the microfinance sector.

MC: What were the first years like? How did the organization develop?

AV: We started with very ambitious ideas, but modest resources. One might say that PlaNNet grew in two stages: from 1998 to 2003 PlaNNet Finance grew from an organization with two permanent staff members in Paris to an international nonprofit with more than 80 staff members running programs in 30 countries. Funding was mostly from private sector contributions or international institutions' grants and contracts. During this first stage, PlaNNet Finance developed programs supporting local microfinance NGOs, providing them with training, rating and financing (with local currency loans through MicroFund). In a second stage from 2004 to 2008, the organization grew and restructured itself around separate business units operating as autonomous companies with distinct management and staff. At the end of 2008, PlaNNet Finance Group included more than 700 staff in close to 80 countries.

MC: What is next for PlaNNet Finance?

AV: In the next 5 to 10 years, we will continue to develop our business units to support more people. We will also pursue innovation and the

creation of new activities to address the challenges of financial inclusion. We are now working in two areas that could drastically accelerate the growth of microfinance: one is based on the use of mobile phones to accelerate the outreach of microfinance and the second one uses the internet to increase access to funding for microfinance banks.

MC: How has your role changed as PlaNNet has grown?

AV: At the creation of PlaNNet Finance I was its CEO, and Jacques Attali was its President. From the start I had the chance to lead most of the development of PlaNNet Finance: its geographical expansion, the creation of many of our country operations and later the creation of its different business units - from consulting and technical assistance to rating and financing. In 2005, I began to focus on launching and running MicroCred as its President & CEO. MicroCred is the Business Unit of PlaNNet Finance that invests in the creation of "greenfield" microfinance banks.

MC: What do you identify as the area of greatest innovation in microfinance?

AV: With MicroCred, I am focused on building new microfinance banks. I am very interested in how we can use mobile phone technology to build new types of microfinance banks. Next week, I will be in the Philippines to meet with SMART, one of the largest mobile phone providers in the country. They have 35 million clients, 7 million of which are using phones to transfer money. We just signed a major agreement to look at how the use of mobile money can accelerate microfinance's outreach. I find this new possibility very exciting.

I am very interested in how we can use mobile phone technology to build new types of microfinance banks.

MC: You are speaking to us from Madagascar; what are you doing there?

AV: Madagascar is one of the countries where we are the most active. PlaNNet Finance provides advisory services and has 3 major programs there to support microfinance institutions, while MicroCred has a microfinance bank in the country. In total PlaNNet Finance Group has close to 200 staff members working in Madagascar. MicroCred Madagascar was started only two years ago and has become the largest microfinance institution in Antananarivo, the capital, where it operates today with seven branches and over 10,000 clients. It is already a profitable bank.

MC: What is your most important achievement to date?

In over ten years, we have built a global organization staffed by local experts. Because we are global, we regularly cross-fertilize ideas among countries. Because our people are local, we can operate with lower costs and greater cultural awareness. I have constantly been warned over these 10 years that we are trying to do too much at the same time. Nonetheless, in many of our business units, we are established among the top leaders today. I hope we can continue to remain so and do even better in years to come. ♦♦♦

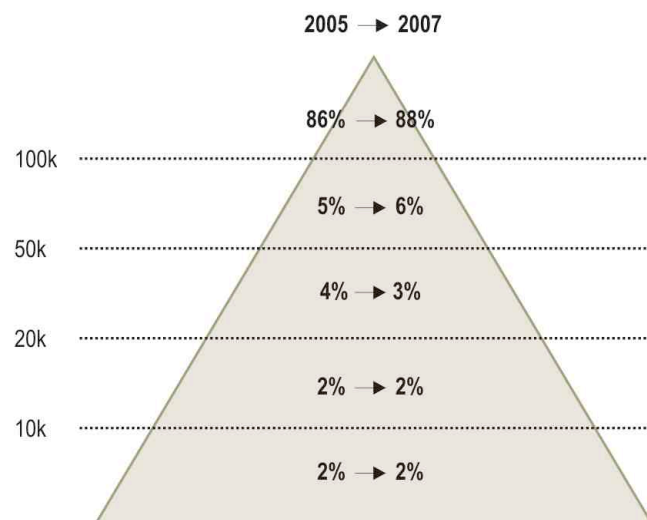
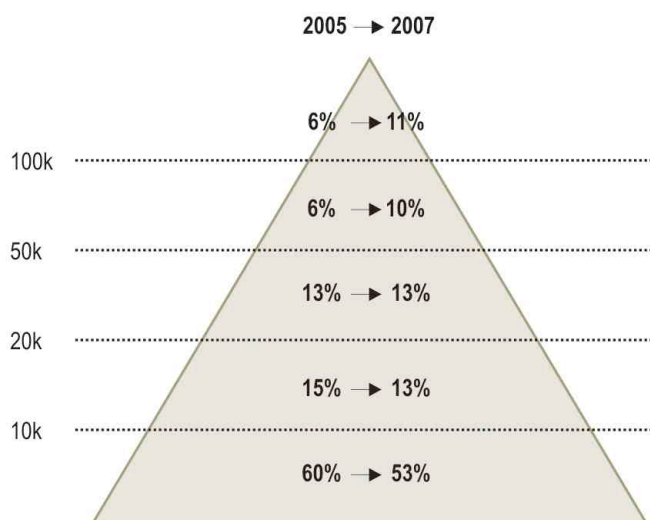
MICROCAPITAL MARKET INDICATORS | EAST ASIA AND PACIFIC

 101 MFIs REPORTING FROM 10 COUNTRIES¹

Cambodia	Indonesia	Philippines	Vietnam
China	Laos	Samoa	
East Timor	Papua New Guinea	Thailand	

TOP 10 MICROFINANCE INSTITUTIONS (MFIs) BY GROWTH IN GROSS LOAN PORTFOLIO: CHANGE IN USD

MFI NAME	COUNTRY	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2005	2007
BRI	Indonesia	577,361,024	22	2,317,903,872	3,472,625,920
VBSP	Vietnam	544,494,144	41	1,087,404,160	2,176,392,448
ACLEDA	Cambodia	107,581,616	78	99,899,712	315,062,944
CARD NFO	Philippines	12,575,580	98	8,590,633	33,741,792
PRASAC MFI Ltd	Cambodia	11,202,152	74	11,129,067	33,533,370
1st Valley Bank	Philippines	10,037,223	52	15,370,815	35,445,260
AMRET	Cambodia	9,509,521	64	11,286,202	30,305,244
SATHAPANA	Cambodia	8,090,791	89	6,273,406	22,454,988
Green Bank	Philippines	5,351,178	26	18,569,928	29,272,284
HKL	Cambodia	5,177,315	96	3,653,530	14,008,160

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


(1) Denotes only MFIs that report data for 2005 - 2007 to MicroBanking Bulletin (MBB) or MIX Market.
 Source: Microfinance Information Exchange, Inc., April 2009, based on MFIs reporting to MBB or MIX Market.

UPCOMING EVENTS

Global Microfinance Congress

May 18 - May 20, 2009, New York, New York, USA

This event will cover IPOs, exit strategies, case studies and the role of venture capital in microfinance. MicroCapital readers may use service code "SP2" to qualify for a discounted rate of USD 1095. More information is available via CustomerService@AmericanConference.com, +1 212 352 3220 or <http://microfinancecongress.com/>.

Twelfth Annual MFC Conference of Microfinance Institutions

May 25 - May 27, 2009, Belgrade, Serbia

This event will cover topics such as client protection and weathering the recession. The payment of registration fees of USD 660 (USD 490 for MFC members) was requested by April 24, 2009. Details are available from Marcin Rataj at +48 22 622 34 65, marcin@mfc.org.pl or at <http://www.mfc.org.pl/conference2009/>.

Fourth Annual Underbanked Financial Services Forum

June 1 - June 3, 2009, Dallas, Texas, USA

The Center for Financial Services Innovation and SourceMedia present this event featuring 50 speakers from the banking, regulatory, nonprofit, credit union and private equity sectors. Registration fees range from USD 795 to USD 1595. More details are available via abconferences@sourcemedia.com, +1 212 803 6093 or <http://www.sourcemediaconferences.com/CFSI09/reginfo.html>.

First European Research Conference on Microfinance

June 2 - June 4, 2009, Brussels, Belgium

This event aims to provide researchers with an opportunity to present their work and exchange ideas. The registration fee is EUR 225 until April 30, with discounts available. For details, contact Petra Solli at cermi@ulb.ac.be or +32 2 650 6601 or visit <http://microfinconf.eu/>.

Latin America - Caribbean Regional Microcredit Summit

June 8 - June 10, 2009, Cartagena, Colombia

This is the latest of the Microcredit Summit Campaign's events for those working to assist poor people in reaching financial self-sufficiency. The fee to attend is USD 300, with discounts available for those attending from the Latin American region. Add-on field visits and courses are also available for an extra fee. Details are available via <http://www.regionalmicrocreditsummit2009.org/>, +1 202 637 9600 or info@microcreditsummit.org.

Developing Inclusive Financial Systems for the Poor: How Funders Can Make a Difference

June 14 - June 18, 2009, Amman, Jordan

This course is primarily designed for microfinance project managers and investment officers who make funding decisions. Course tuition is USD 1,800 for the first three days or USD 2,100 for the full five days, with a discount of USD 100 for registrations prior to May 15. Details are available at <http://www.cgap.org/direct/training/training.php/> or from Barbara Gähwiler at bgahwiler@worldbank.org or +1 202 473 9594.

Microfinance 2.0: Innovative Solutions to Thrive in the Downturn

June 15 - June 17, 2009, San Francisco, California, USA

The Silicon Valley Microfinance Network is hosting this event, which will focus on technological, investment-related and other innovations in the microfinance sector. Pre-conference workshops are scheduled for June 15, with the main conference starting June 16. Registration fees are USD 500 for the workshop plus USD 999 for the conference. More information is available via +1 973 256 0211, info@iqpc.com or <http://www.iqpc.com/ShowEvent.aspx?id=178828>.

Mobile Money Summit 2009

June 23 - June 24, 2009, Barcelona, Spain

This event provides a demonstration of markets, a showcase for new solutions and a forum for sharing lessons learned from around the world. It is organized by the GSMA, which represents the interests of the worldwide mobile communications industry. Registration fees are USD 1,599 USD + 16% VAT, with a USD 400 discount for GSMA members. More information is available at <http://www.mobilemoneysummit.com/>, +44 (0)20 7759 2300 or +1 678 281 6600.

Microfinance Principles

July 3 - July 5, 2009, Bad Homburg, Germany

Microfinance Institution Management

July 5 - July 10, 2009, Bad Homburg, Germany

Commercial Micro Banking

July 12 - July 17, 2009, Frankfurt am Main, Germany

The Micro Banking Summer Academy at the Frankfurt School of Finance & Management (Bankakademie) is hosting the above menu of training opportunities. The official registration deadline was April 24. More details are available via Maria Johansson at +49 69 154008 617, m.johansson@frankfurt-school.de or http://www.frankfurt-school.de/content/en/intern_advisory/summer_academies_2009/micro_banking_summer_academy_2009.html.

Investments in Microfinance 2009:

Surviving the Liquidity Crisis and Ensuring Sustainable Growth

July 7 - July 8, 2009, London, UK

This event will explore how key microfinance institutions (MFIs) and funds are changing their strategies to ensure survival amidst the recession. Registration fees are EUR 1499 with add-on workshops and discounts available for "early birds," MFI representatives and fund managers. More information is available via +44 (0) 203 178 3420 or <http://www.hansonwade.com/events/investments-in-microfinance/>.

Microfinance: The Investment Opportunity

July 13 - July 14, 2009 in Washington, DC, USA

This event will cover topics including the role of intermediaries in a microfinance deal, ratings and investment strategies for pensions, foundations and endowments. The registration fee for the conference is USD 1795, with add-on workshops and group discounts available. More information is available via Erin Busch at ebusch@frallc.com, <http://www.frallc.com/conference.aspx?ccode=B722> or +1 831 465 2294.

Pacific Microfinance Week 2009

July 13 - July 17, 2009, Nadi, Fiji

The Microfinance Pasifika alliance is organizing this series of events to raise awareness of microfinance and encourage cooperation in the Pacific region. Registration is free of charge, but the official deadline has passed. Microfinance Pasifika network members may apply for a travel subsidy. Additional information is available via +679 3544305, info@microfinance-pasifika.org or <http://www.microfinance-pasifika.org/>.

Asia Insurance Review Microinsurance Conference

July 22 - July 23, 2009, China

More details on this conference, including its location, are expected shortly. Requests for updates on the event may be made at http://www.asiainsurancereview.com/pages/conference_details.asp?id=124/. The contact person is May Low, who may be reached at +65 63723185 or may@asiainsurancereview.com. ♦♦♦

PAPER WRAP-UPS

The New Money Lenders: Are the Poor Being Exploited by High Microcredit Interest Rates?

By Richard Rosenberg, Adrian Gonzalez and Sushma Narain, published by CGAP (Consultative Group to Assist the Poor), February 2009, 28 pages, available at: http://www.cgap.org/gm/document-1.9.9534/OP15_rev.pdf

The authors of this paper consider whether microcredit borrowers are being exploited by unreasonably high interest rates and explore the component costs - including profits - of microcredit interest rates in order to provide a framework to determine whether microlending rates are "excessive." The report uses data on 555 sustainable microfinance institutions (MFIs) reporting to the Microfinance Information Exchange through 2006.

The four main components that are reflected in an MFI's interest rates are: cost of funds, loan loss expense, operating expense and profit.

The report makes the following three conclusions: There is no evidence to suggest any widespread pattern of abusive MFI interest rates. The authors do find empirical evidence that operating costs are much higher for smaller microloans than for regular bank loans. Lastly, the analysis illustrates that in recent years there has been a rapid decline in interest rates, operating costs and profits. The authors expect this trend to continue in the medium-term future.

The median interest rate for sustainable MFIs was roughly 26 percent in 2006. While the report noted that Mexican MFI Compartamos' annualized interest rate was high at 85 percent, this case is considered an exception. MFI interest rates have been declining by 2.3 percentage points per year since 2003. When comparing other rates paid by low-income borrowers, MFI interest rates are significantly lower than consumer credit rates in 36 countries for which the authors report.

When comparing MFI rates to credit union rates in 10 countries, the average MFI rate was typically higher. MFI interest rates tended to be the same where credit unions offered a specialized microcredit product.

Cost of Funds

MFI's interest expense as a percentage of liabilities shows that their borrowing costs have been averaging 5.1 percent vs 3 percent for commercial banks in the same countries in 2006. Little detail is provided about this cost of funds figure. While it may be difficult for MFIs to meet the hurdles for depository licensing, deposits from savers do lower the cost of funds.

Loan Losses

Interest rates are neither increasing due to - nor influenced by - loan losses. Default rates due to borrower default were relatively low, at 1.9 percent worldwide in 2006. Loan losses above 5 percent tend to become unsustainable for MFIs. (A high average loan loss rate for Africa is driven by a small number of outliers.)

Operating/Administrative Expenses

Regression analysis provides evidence that there is a strong inverse relationship between loan size and operating expenses. Thus, tiny loans require higher administrative expenses that are not substantially offset by economies of scale.

Administrative costs have been declining by 1 percentage point per year since 2003 (from 15.6 percent in 2003 to 12.7 percent in 2006). This pattern holds true for all regions except South America. The age of the MFI is strongly associated with lower operating costs. Operating costs (as a percentage of loan portfolio) tend to drop by 2 to 8 percentage points for each of first six years and 1 to 2 percentage points for the next five years after an MFI is established.

Profits

The report provides a comparison of MFI profitability vs bank profitability (measured by both return on assets and return on equity). The average return on MFI owner's equity in 2006 was 12.3 percent vs 17.7 percent for banks. Profits of sustainable MFIs (measured as a percentage of loan portfolio) have been dropping 0.6 percentage points per year since 2003.

The most profitable 10 percent of worldwide portfolios (per the Microfinance Information Exchange) produced a return on equity above 35 percent in 2006. "Over two-thirds of MFIs with these high returns were nonprofit organizations, [with profits] captured by NGOs and never reaching the private pocket." Completely eliminating all profit would reduce the median MFI's interest rate by about one-sixth.

Microfinance and Climate Change: Threats and Opportunities

By Paul Rippey, published by CGAP (Consultative Group to Assist the Poor), March 2009, 20 pages, available at: http://www.cgap.org/gm/document-1.9.34043/FN_53%20ENG_4-08-09a.pdf

The world's climate is rapidly changing, and climatologists say that the impact will fall disproportionately on tropical and semitropical regions where most microfinance clients live. This paper gives a brief overview of the science of climate change and explores the link with economic development.

The proposed responses to drought, flood and heat are divided into two broad categories: mitigation and adaptation. Mitigation focuses on reducing the severity of climate change by limiting greenhouse gas emissions, while adaptation focuses on measures that help people adjust to changing conditions.

At the household/business level, microfinance services can help customers reduce their carbon emissions by either lending directly to households so that they can purchase energy savings devices or by providing financing to microentrepreneurs who supply the devices. Clean energy products or activities that can be promoted include:

- Lighting: Moving from kerosene lanterns to solar/LED lighting
- Cooking: Moving to bottled gas, solar cookers, biomass digesters, improved cook stoves and biomass briquettes
- Forestry: Encouraging reforestation and forestation
- Biofuels: Promoting biofuel production where organic wastes are already collected
- Low-carbon agriculture: no-till agriculture, integrated pest management, intercropping/crop rotation and drip irrigation
- Adaptive agriculture: Assisting clients with crop choice and farming practices in the face of a changing environment

At the institutional level, MFIs can promote financial products that will help their clients manage risk - such as savings and microinsurance - and work to reduce their own emissions. In the longer-term, MFIs can begin to think strategically about climate change and look into the more complex option of funding through compulsory and voluntary carbon markets.

Asia Microfinance Analysis and Benchmarking Report 2008

Published by Microfinance Information Exchange and Intelicap, March 2009, 20 pages, available at: <http://www.themix.org/sites/default/files/2008%20Asia%20Microfinance%20Analysis%20and%20Benchmarking%20Report.pdf>

The paper analyzes the evolution of microfinance in South Asia and East Asia and the Pacific (EAP), with a focus on outreach and scale, funding sources and financial performance in fiscal year (FY) 2007.

The report draws on data from 244 microfinance institutions (MFIs) in 16 countries: Afghanistan, Bangladesh, India, Nepal, Pakistan and Sri Lanka from South Asia and Cambodia, China, East Timor, Indonesia, Laos, Papua New Guinea, Philippines, Samoa, Thailand and Vietnam from EAP. Overall, the report finds that the sampled MFIs served 47 million active borrowers with more than USD 10 billion in loans and over USD 7 billion in deposits in FY 2007.

The aggregate gross loan portfolio grew at more than 60 percent in FY 2007, compared with a global figure of 50 percent. Growth rates varied significantly by country, with Bangladesh, Nepal and Indonesia witnessing growth of less than half the regional average, while Cambodia and India saw rates topping 90 percent. MFIs in Asia served borrowers at the lowest cost level of any region.

The region's large MFIs dominate. In fact, the top 10 MFIs in Asia accounted for 70 percent of borrowers served by the sample pool in 2007. Bangladeshi MFIs Grameen Bank and BRAC topped the list with 6.7 million and 6.3 million active borrowers.

Despite the breadth of outreach attained by Asian MFIs, penetration of microlending varied significantly across the region. Penetration rates compare outstanding borrowers against the potential client base: the total population living below the poverty line. Bangladesh, Sri Lanka and Vietnam achieved significant depth at 35 percent, 29 percent and 25 percent respectively, but other countries lagged far behind. Because of India's immense population, with 312 million people living below the poverty line, the penetration rate in India remained at 3.5 percent despite the spectacular growth of the Indian microfinance market.

In terms of funding sources, Asian MFIs relied increasingly on commercial financing to fund portfolio growth, through both commercial borrowings and equity investments. Commercial borrowings alone provided more than 75 percent of new loan funds in 2007, bringing total financing from commercial sources to nearly 50 percent in the region.

While most Asian MFIs maintained similar debt-led funding structures as their portfolios increased in 2007, institutions in countries such as Indonesia, the Philippines and Sri Lanka relied heavily on strong retail deposits for funding. Some MFIs, notably in Afghanistan and Cambodia, continued to leverage further. The growth of regulated, for-profit models also attracted large pools of equity funding, with Indian MFIs taking in USD 100 million in new capital in 2007.

Overall, positive, stable returns and strong growth opportunities characterized MFIs in the region and helped them attract and retain new funding in 2007. A number of countries witnessed significantly improved average returns on assets, including Afghanistan, Cambodia, India and the Philippines. Increasing leverage also boosted returns on equity for MFIs throughout Asia.

There were also several negative pressures on financial performance. The increased leverage in most MFIs drove up financing costs, as funding liabilities took on a greater portion of portfolio financing. In addition, rising delinquency in some markets brought down overall returns. Total arrears (over 30 days) and more persistent delinquency (over 90 days) doubled between 2006 and 2007, with portfolio at risk over 30 days increasing to nearly 3 percent for the median MFI in the region.

2nd ANNUAL

GLOBAL MICROFINANCE INVESTMENT CONGRESS

May 19-20, 2009 | New York, NY

THE PREMIER DEAL MAKING EVENT FOR THE WORLD LEADERS IN MICROFINANCE INVESTMENT

American Conference Institute & PlaNet Finance have assembled a panel of key representatives from the major foundations active in the microfinance space. These industry pioneers will share unique approaches to microfinance support, drivers behind investing in this vehicle for social change, and reasons for microfinance as a viable investment option for both social & capital investors alike.

Featuring addresses from the following major foundations:
 - The Citi Foundation - The Rockefeller Foundation

Valued Media Partner:  The candid voice for microfinance investment

Presented By:  www.planetfinance.org The Microfinance Platform

In Association With: 

Register Now: "As an affiliate of Microcapital, you are entitled to a \$300 discount when registering with priority service code "SP2". To register call 888.224.2480 or visit: www.MicrofinanceCongress.com

A Closer Look at Consolidation: The Sonata-Jeevika Acquisition

By Akhand Tiwari and Michael Chasnow, published by the Center for Micro Finance at the Institute for Financial Management and Research, March 2009, 28 pages, available at: http://www.microfinancegateway.org/files/56639_file_Chasnow_Acquisition.pdf

Akhand Tiwari and Michael Chasnow provide a look at an acquisition in Indian microfinance: Sonata Finance's purchase of Jeevika Livelihood Support Organization's microfinance operation in August 2007.

The Sonata-Jeevika acquisition provides teaching points for various types of players in the microfinance sector. In regards to private equity's role in encouraging such acquisitions, the authors believe that an acquisition of a microfinance institution (MFI) would increase the value or growth potential of a non-banking financial company (NBFC). NBFCs are subject to more rigorous governmental oversight and standards. MFIs typically seek NBFC status in order to obtain wider access to funding, including bank finance.

The acquisition consisted of NBFC Sonata Finance purchasing nonprofit MFI Jeevika's loan portfolio. Although Sonata is registered as a NBFC, senior management at the company had 10 years of previous experience at Cashpor, an Indian MFI. Previously, Sonata did not have an operation in microfinance.

The Bellwether Microfinance Private Equity Fund is a majority shareholder of Sonata Finance. Initially, Jeevika approached Bellwether to seek additional funding to grow their microfinance operations and explore becoming a NBFC. After further analysis, Bellwether decided not to directly invest in Jeevika as its "small portfolio and conservative growth plans resulted in a very low capital requirement." In addition, "to receive commercial equity, Jeevika would need to go through the time-consuming red-tape-laden process of becoming an NBFC."

Thus, Bellwether approached Sonata Finance to "channel the equity Jeevika required through Sonata." The fund saw value in the acquisition of Jeevika's loan portfolio in that the portfolio had: strong senior management, experienced staff and a quality portfolio.

Post-merger figures illustrate that Sonata's operations grew quickly. Active loans increased from 1,760 in March 2007 to 15,825 by November 2008. In addition, its outstanding loan portfolio increased from USD 115,000 to roughly USD 1.43 million. Between the time of the acquisition and November 2008, Sonata's loan portfolio had grown by 450 percent. The report does not address how much of this increase resulted from internal growth.

Benefits for the seller, Jeevika, included: expanding the senior management team, receiving NBCF status, operations support and realignment of Jeevika's mission.

Drawbacks for Jeevika included: negative employee sentiment regarding the acquisition and concern by Jeevika's Executive Director for his ability to continue to innovate and implement new ideas as part of a new management team.

Mobile Banking > Mobile Money Transfers > Mobile & Contactless Payments > Mobile Microfinance

MOBILE BANKING & FINANCIAL SERVICES AFRICA

Southern Sun Grayston Hotel, Johannesburg
Monday 20 - Wednesday 22 July 2009

Reserve your place at the premier m-payments event in Africa and assure your abilities to:

- Devise market-appropriate services
- Develop profitable business models
- Optimise use of current technologies
- Deploy products and services effectively
- Comply with regulatory policy requirements
- Secure services to maximise usage

Including speakers from: ABSA Bank | Belgacom ICS | Exact Consult
First National Bank | Genesis Analytics | Green Giraffe Consulting
MTN Cameroon | MTN MobileMoney | Reserve Bank Of South Africa
Standard Bank | TripSWITCH | Visa | Vodacom Tanzania

SPONSORED BY



ENDORSED BY



REGISTER TODAY! Please quote the label code CG2528MCM when registering

Call: +44 (0) 20 7017 7483 Email: registrations@iir-telecoms.com Online: www.iir-conferences.com/mbfsa

Cautious Resilience: The Impact of the Global Financial Crisis on Latin American & Caribbean Microfinance Institutions

By Sebastian von Stauffenberg, published by MicroRate Inc, March 2009, 52 pages, available at: <http://microrate.com/wp-content/uploads/2009/03/cautious-resilience2.pdf>

This report examines the impact of the global financial crisis on microfinance institutions (MFI) in Latin America and the Caribbean (LAC) during the last quarter of 2008. While MFIs initially reported that the global financial crisis had yet to affect the economy in LAC, data suggests that lending in 2008 slowed significantly more than MFIs admitted during October and November 2008. MFIs reduced the number of loans to higher risk clients, enforced stricter lending criteria and strengthened provisioning policies, with some MFIs reducing their average loan balance.

Microfinance investment vehicles (MIVs) also reduced their lending in late 2008 due to the instability of the financial markets (not necessarily due to funding difficulties). In addition, MIVs were accumulating cash in anticipation of an investor slowdown and the possibility of an increase in redemptions.

The author expects that MFIs will be greatly affected by the global crisis due to the fact that they are more "tightly integrated" with the financial sector than was the case in the past. He predicts MFI growth rates in 2009 will decrease significantly to 10% due to declining economies, tightening liquidity, stricter lending policies, decreasing average loan size, shifting portfolio mix and a focus on less-competitive market segments. Additional challenges include regulatory obstacles and expenses incurred when transforming into deposit-making institutions. A key risk is the possibility that depositors may stop saving as the economic situation worsens.

Credit to MFIs has become more expensive with an average increase of 200 to 600 basis points (in local currency). With nearly local credit disappearing, MFIs are now confronted with the choice to assume foreign exchange risk or curtail portfolio growth.

MFIs in the region have been successful at diversifying funding sources. The financial crisis has not greatly affected deposits. While local commercial banks have retreated from investing in microfinance, governments are increasing funding for microfinance through second-tier wholesale banks.

The report also provides country profiles on microfinance and the MIV funding environment in Bolivia, Colombia, Ecuador, Mexico, Nicaragua and Peru.

SUBSCRIBE TO THE MICROCAPITAL MONITOR

Issues of the MicroCapital Monitor are available only by subscription. Subscribe today to support a representative voice for micro-bankers and microcapital investors by visiting MicroCapital.org or calling us at +1 617 648 0043. All subscriptions include twelve monthly issues plus access to all back issues. Rates are as follows:

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

How Does Credit Access Affect Children's Time Allocation? Evidence From Rural India

By Nobuhiko Furwa, Seiro Ito, Kensuke Kubo, Takashi Kurosaki and Yasuyuki Sawada, published by the Institute for Developing Economies, January 2009, 23 pages, available at: http://www.microfinancegateway.org/files/56716_file_ARRIDE_Discussion_No.183_kubo.pdf

The authors seek to quantitatively analyze the effect of credit access on the amount of time allocated by children to leisure, work and school. This study was conducted in the Kurnool district of Andhra Pradesh, where the child labor rate is high: 54.2 percent. Recent Research has shown that an increase in child labor does not necessarily lead to a decrease in schooling because leisure time is reduced instead. However, the authors claim that there has not yet been a comprehensive empirical study of how the allocation of time by various members of the household is linked to credit access. This study indicates that a lack of access to credit reduces time spent on both schooling and leisure and increases the time children spend working.

In an effort to base conclusions on data collection rather than experimental models, the authors determined the level of credit access by distributing questionnaires to each household on its interactions with formal credit sources during the previous year. Preceding studies had not examined actual experiences with credit sources, but had applied an exogenous shock model to the households. Formal credit sources had become increasingly available in the area, and thus the constraint in this study was a question of whether a household was considered a viable loan applicant rather than whether a lending institution was available.

400 households in 32 villages in a single district were surveyed and classified as unconstrained or credit-constrained. Households that had not applied for loans were classified as credit-constrained if the reason was that the household did not expect to be approved. Through statistical models, the study controlled for the individual characteristics of the child, the gender of the child, the education of the parents, land holdings, livestock holdings and caste status in addition to many other variable factors. 164 of the 331 households used for data analysis were classified as credit-constrained.

Taking into account that a significant portion of child labor occurred within the home, the activities of the children were classified by the authors in the following categories:

- schooling,
- household chores including child care,
- remunerative work and
- leisure.

The report includes five tables that list:

- the results of the applications of the statistical models,
- characteristics of unconstrained or credit-constrained households and
- how variables other than credit access affected time distribution.

The authors conclude that each week children of credit-constrained households spent 1.4 fewer days in school and 2.1 fewer days at leisure than children of unconstrained households. Children of credit-constrained households also spent 1.6 days more per week for remunerative work and 1.6 days more for household work. A lack of access to credit reduced time allocated to schooling by children in the household by 60 percent overall.

Despite the presence of formal credit sources in the area, the success or failure of loan applications can lead to vast discrepancies in the time invested by children in all four categories of activities. ♦♦♦