

MICROCAPITAL BRIEFS | TOP STORIES

IDB Approves \$150m for MSEs in Latin America, Caribbean

The Inter-American Development Bank (IDB) has approved USD 150 million for the Latin America and Caribbean Subordinated Debt Facility, which is intended to strengthen financial institutions in the region through loans and guarantees to boost long-term financing to smaller business projects deemed to have a high social impact. The facility is a response to continued liquidity constraints caused by the financial downturn of 2008 that have reduced lending levels, particularly to smaller enterprises. The facility will utilize subordinated debt instruments financed chiefly by IDB and capital instruments to be financed chiefly by the World Bank Group's International Finance Corporation. August 11. 2010

Kenyan Regulation May Stifle Microinsurers

Recent moves by Kenya's Insurance Regulatory Authority that will separate life insurance business from general business may negatively impact microinsurance. Most insurance products marketed to poor people in Kenya reportedly are bundled to include coverage for life, health, personal accidents and funerals. Regulation that separates life insurance from general business could decrease the attractiveness of the products. The new regulation also increases minimum capital requirements for life insurance companies to the equivalent of USD 3.6 million, which may reduce competition and increase prices. August 6. 2010

Subsidies to Undercut Microloan Market in Tanzania

The government-controlled National Microfinance Bank (NMB) of Tanzania has announced its intentions to provide entrepreneurial "Juhudi" loans ranging from the local-currency equivalent of USD 3,300 to USD 330,000. With annual interest rates of 15 percent, the loans are intended to undercut reported market rates of 18 to 25 percent. Business skills training will also be provided by NMB and unnamed partner organizations. August 2. 2010

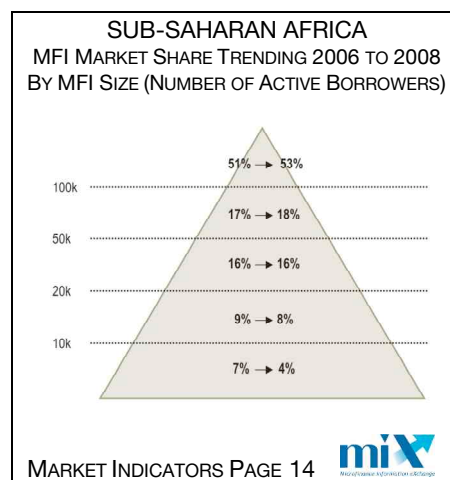
SKS Microfinance Launches India's First IPO by an MFI

After much anticipation, SKS Microfinance has launched India's first initial public offering (IPO) by a microfinance institution. The share price on the Bombay Stock Exchange and the National Stock Exchange of India is equivalent to USD 18.20 to 21.10 per share, which results in a company valuation of USD 1.6 billion. US-based Citigroup Global Markets, Credit Suisse of Switzerland and India's Kotak Mahindra underwrote the issue. As of March 2009, SKS reported total assets of USD 596 million, 3.5 million active borrowers, return on assets of 3.68 percent and return on equity of 18.72 percent. Please see page 12 for further coverage of the IPO and the debate it has intensified regarding the interplay of for-profit motivations with charitable intentions. July 30. 2010

IFC Provides \$30m Guaranteed by Remittances to Fedecredito of El Salvador

The International Finance Corporation (IFC), a member of the World Bank Group, has agreed to loan USD 30 million to Fedecredito, a Salvadoran financial cooperative owned by 55 financial institutions, which will be guaranteed by future remittances sent by Salvadorans working abroad to family and friends at home. The precise structure of the guarantee arrangement is not detailed. Giri Jadeja, IFC Senior Manager for Financial Markets in Latin America and the Caribbean, said, "Fedecredito's ability to sustainably mobilize funding will help ensure credit access to otherwise underserved, low-income households and microenterprises in El Salvador. Given its development impact, we hope to replicate this transaction's remittance-secured funding structure in other countries." As of 2008, Fedecredito's gross loan portfolio was USD 564 million, and total deposits were USD 250 million. July 20. 2010

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MICROCAPITAL BRIEFS

Standard Chartered Raises \$16m for MAS, SKS

London-based Standard Chartered Bank recently arranged a USD 6 million issue of one-year non-convertible debentures for Indian microfinance institution MAS Financial Services Limited, which reported disbursements equivalent to USD 26 million in 2009. The issue will be traded on the Bombay Stock Exchange, allowing offshore microfinance investment vehicles to participate. Standard Chartered also arranged a one-year commercial paper issuance of USD 10 million for SKS Microfinance, which was subscribed to by a mutual fund backed by a private bank client of Standard Chartered. For more about SKS, please refer to our bonus coverage on page 12. August 20, 2010

IDB to Provide \$5m Partial Guarantee to Mexico's Agrofinanzas

The Inter-American Development Bank (IDB), a multilateral development finance institution, has agreed to provide a partial credit guarantee of USD 5 million to Agrofinanzas, a Mexican microfinance institution focused on supply chain financing, to support Mexican small sunflower producers. Agrofinanzas will provide loans to approximately 850 farmers with the risk mitigated by the IDB commitment, and Sabritas, a Mexican unit of US-based food and beverage company Pepsico, will purchase the sunflower oil produced. No financial information is available on Agrofinanzas. August 19, 2010

Oikocredit Invests \$7m in Cambodia, Vietnam, Central Asia

Oikocredit, a Dutch microfinance fund with total assets equivalent to USD 665 million, recently disbursed local-currency loans to four microfinance institutions equivalent to: USD 1.94 million to Thaneakea Phum of Cambodia, which reports assets of USD 23 million; USD 1.9 million to Capital Aid Fund for Employment of the Poor of Vietnam, which reports assets of USD 24 million; USD 1.8 million to Imon International of Tajikistan, which reports assets of USD 33 million; and USD 1.5 million to First MicroCredit Company of the Kyrgyz Republic, which reports assets of USD 8 million. August 19, 2010

ILO Helps Philippine Lenders Become Insurance Agents

The Rural Bankers Research and Development Foundation, an affiliate of the Rural Bankers Association of the Philippines (RBAP), has been awarded a USD 100,000 grant from the International Labor Organization's Microinsurance Innovation Facility to train RBAP members to become licensed microinsurance agents so that they may sell and service policies issued by commercial insurers. August 18, 2010

Tal'afar Launches Agricultural Loan Product in Iraq

The Tal'afar Economic Development Center (TEDC), an Iraqi microfinance institution, has launched a new agricultural loan product. The loans of up to USD 5,000 must be guaranteed by someone "with means" and will carry a grace period of three months, with other repayment terms based on the seasonal output of the farmer. TEDC reported total assets of USD 4.8 million and a loan portfolio of USD 3.4 million for 2008. August 18, 2010

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Unitus CEO Answers Critics of Decision to Drop Microfinance

Joseph Grenny, CEO of US-based nonprofit Unitus, recently responded to concerns regarding Unitus's move to discontinue its microcredit operations, including what will become of charitable funds provided to Unitus by donors. Microfinance consultant Adam Sorensen has argued that Unitus's advocacy for the use of commercial capital in microfinance remains necessary as a commercial outlook "promised better results by bringing commercial discipline and business practices" to the industry. Prior to last month's initial public offering by India's SKS Microfinance, the Unitus Equity Fund reportedly owned a USD 80 million stake in the company that it had assembled between 2006 and 2008 for a total of USD 6 million. Mr Grenny stated that proceeds from any share sales would be used for poverty-alleviation activities outside of microfinance such as job creation, low-cost housing, education and healthcare. August 4 and August 17, 2010

Oikocredit Invests \$2.9m in India's Grameen Koota, Share, Hope

Oikocredit, a Dutch microfinance investment fund with total assets equivalent to USD 665 million, recently loaned the rupee equivalent of USD 2.9 million to three Indian microfinance institutions. Grameen Koota, a division of Grameen Financial Services Private Limited, received USD 2.02 million. Share Mutually Aided Co-operative Thrift Society, an Indian credit union founded in 1995 that reports assets of USD 2.05 million, received USD 527,000. Hope Foundation, a charitable organization with operations in three states, received USD 439,000. Financial information for Hope is not available. Grameen Koota reports assets of USD 68.1 million, 0.40 percent return on assets and 2.56 percent return on equity. August 17, 2010

CARE UK Launches Retail Lending Website Lendwithcare.org

Nonprofit CARE International UK has launched <http://www.lendwithcare.org>, a website through which individuals may view microborrower profiles and provide loans to CARE's partner microfinance institutions. The minimum loan amount is the British-pound-equivalent of USD 23, and no interest is returned to the individual lender. CARE Microfinance Advisor Ajaz Khan argues that the site will provide lower-cost funds to lenders, assisting them in maintaining their focus on poorer entrepreneurs. August 17, 2010

Bankers Without Borders Receives \$150k from JP Morgan

Bankers without Borders (BwB), a volunteer program of the Grameen Foundation that supports microfinance and development-oriented technology initiatives, has received seed capital of USD 150,000 from JP Morgan's Social Finance Unit to expand its services in the Americas and Asia. Organizations may apply through September to the "Alliance Program" to receive an investment of up to USD 30,000 to develop their capacity to support local projects with services including those of BwB volunteers. As of February 2010, BwB had approximately 50 projects operating in nine countries. August 17, 2010

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

MicroPlanet Releases Hosted Software Platform for MFIs

MicroPlanet Technologies Incorporated, a US-based technology nonprofit, has announced the release of its banking software platform, which is offered on a software-as-a-service basis, meaning that it is accessed via an internet browser, with data handled on servers operated by the technology provider instead of in-house. Functionality includes loan origination, collections, general ledger, savings, end-of-day processing and report generation and distribution. August 17, 2010

In Asia, BlueOrchard Opens Office, Plans to Triple Investment

In Cambodia, BlueOrchard Finance SA, a commercial microfinance intermediary and subsidiary of Geneva-based BlueOrchard, recently opened its first Asian office and announced its intention to triple its microfinance investments in Asia such that they will account for a full third of the firm's investments. BlueOrchard Finance is also "considering" opening a microfinance fund focusing on - and based in - Asia. BlueOrchard Finance has previously invested USD 115 million in South and Southeast Asia. In June 2009, BlueOrchard reported total assets of USD 980 million. August 16, 2010

Applications Available for Process Excellence Award

PlaNet Finance India, an affiliate of French NGO PlaNet Finance, is accepting applications for its Fourth Microfinance Process Excellence Award in an effort to elevate the standards of institutional management among microfinance institutions in India. The judging criteria include social performance, governance and pricing transparency metrics. Organizations may apply until September 15; the awards will be given on November 15. August 16, 2010

Korea's Samsung Doubles Smile Commitment

South Korean conglomerate Samsung Group has announced that it will double its 2010 target commitment to the government-led Smile Microfinance Bank - also known as Miso Microcredit Foundation - to the won equivalent of USD 51.4 million. Samsung and other private companies such as Hyundai-Kia and LG have committed USD 1.6 billion over 10 years to Smile, under which these companies open their "own" branches of the institution. Samsung reportedly plans to use part of the increased funding to expand its number of branches from seven to 13 by the end of September. As of April, Smile's 38 branches had lent USD 5.9 million to 953 borrowers. August 16, 2010

Kenyan Reg Change Gives Boost to Mobile Money

Kenyan mobile phone operator Safaricom reports that in July it added approximately 1.7 million new customers to its money transfer system, M-Pesa, largely as a result of a Kenyan government regulation that requires the registration of subscriber identity module (SIM) cards by mobile phone users in an effort to reduce mobile-phone-related crimes. At the time of registration, mobile phone operators have been encouraging subscribers to simultaneously activate a mobile bank account. Safaricom also offers the mobile payment product M-Kesho in cooperation with Kenyan microfinance institution Equity Bank, which reports, "We are signing up an estimated 8,000 accounts per day, arguably the largest number of customers we have handled in the history of the bank." Family Bank's new mobile banking product, PesaPap, has so far acquired 88,000 customers. July 27 and August 16, 2010

Islami Bank Foundation Allegedly in Violation of Bangladesh Regs

The Islami Bank (IB) Foundation, an NGO funded by IB Bangladesh Limited, has been accused by the central bank of Bangladesh of operating a microcredit program without the required license. The IB Foundation responds that it ceased its microcredit program in November 2009 in compliance with a government order. IB Bangladesh reports total assets equivalent to USD 4 billion. August 16, 2010

Armenia's Converse Bank Borrows \$10m from EFSE

CJSC Converse Bank, a private bank based in Armenia, has borrowed USD 10 million from the European Fund for Southeast Europe (EFSE), a microfinance investment vehicle set up in 2005 by the German development bank KfW. Founded in 1993, Converse has the equivalent of USD 214 million in assets, a loan portfolio of USD 112 million, 42,000 customers and 23 branches. August 14, 2010

Kenya's Equity Bank Borrows \$8m from BlueOrchard Finance

BlueOrchard, a Swiss commercial microfinance intermediary that manages six microfinance investment vehicles, has reported to MicroCapital that it has loaned USD 8 million from the Dexia Microcredit Fund to Kenya's Equity Bank, which reports the equivalent of USD 1.27 billion in total assets, a gross loan portfolio of USD 818 million and 716,000 active borrowers. August 14, 2010

responsAbility Invests \$1.4m in the Philippines, Tajikistan

Swiss responsAbility Social Investments AG recently reported to MicroCapital the details of four debt investments totaling the equivalent of USD 1.4 million that were made by its Global Microfinance Fund (GMF) and Mikrofinanz-Fonds. Each fund loaned USD 200,000 for two years at an interest rate of 8.6 percent per year to OXUS Tajikistan, a sub-unit of French social investor OXUS Holding. Enterprise Bank of the Philippines, which serves approximately 72,000 clients in rural Mindanao, received a two-year, local-currency loan of USD 254,000 at 11.25 percent annual interest from Mikrofinanz. GMF loaned Enterprise USD 758,000 under the same terms. While Enterprise does not report to the Microfinance Information Exchange (MIX), OXUS Tajikistan reports USD 8.1 million in assets, a gross loan portfolio of USD 7.1 million, 8,840 active borrowers, return on assets of 4.09 percent and return on equity of 22.5 percent. August 13, 2010

Omidyar Network Provides \$5m Grant to Kiva Over 3 Years

The Omidyar Network, a US-based firm that invests in and gives grants to socially oriented organizations, recently announced that it has committed USD 5 million in matching grant funding to Kiva, an online microfinance intermediary that funds loans in 53 countries and reports a default rate of 1.2 percent. August 13, 2010

India's Grameen Koota to Raise \$21m, Set Up Housing Subsidiary

Grameen Koota, an Indian microfinance institution, is reportedly planning to close a deal in the next several months to raise the rupee equivalent of USD 21 million. The financing structure and investors have not been disclosed, but Grameen Koota plans to use a portion of the funds as capital for its planned microhousing subsidiary, for which it recently applied for an operating license from the National Housing Bank. With a loan portfolio of USD 33.3 million, Grameen Koota operates 117 branches in Karnataka and Maharashtra. August 13, 2010

Peru's Mibanco Receives \$45m in Loans Arranged by IDB

The Inter-American Development Bank (IDB) has arranged a local-currency loan package worth USD 45 million for Peruvian microfinance institution Mibanco in support of a program that will offer women "medium-term" business loans ranging up to USD 3,000. The syndicated portion of the loan consists of an A loan of USD 10 million from IDB and a B loan comprising USD 17.5 million from the Dexia Microcredit Fund, USD 6.5 million from Dutch cooperative Oikocredit and USD 2 million from the US-based Calvert Foundation. French development finance institution Societe de Promotion et de Participation pour la Cooperation Economique (PROPARCO) also participated with a loan of USD 9 million. Mibanco reports total assets of USD 1.42 billion and return on equity of 31 percent. August 13, 2010

CGAP Responds to Criticism from Dr Sanjay Sinha of M-CRIL

After Micro-Credit Ratings International Managing Director Dr Sanjay Sinha publicly proposed changes to several of the ideas advocated by nonprofit CGAP (Consultative Group to Assist the Poor), CGAP responded that Dr Sinha's interpretation of CGAP positions is not always accurate or up-to-date. Regarding the promotion of "zero tolerance of delinquency," CGAP agrees that 100 percent on-time repayment is not practicable and acknowledged having given unclear signals on the topic in the past. Regarding "no restructuring of client loans," CGAP responded that loan renegotiation is acceptable, but not when used to conceal repayment problems or to avoid implementing discipline procedures. July 15 and August 13, 2010

Pakistan's Farz Foundation's Shari'ah Compliance Certified

Pakistani microfinance institution Farz Foundation has been awarded a Shari'ah compliance certificate indicating that it will practice Murabaha, or cost-plus-markup sale contracts (Shari'ah-compliant trading), which includes Qarz e Hasna (interest-free loans). Murabaha also prohibits investment in activities such as alcohol or gambling. August 13, 2010

India's Ujjivan Raises \$10m in NCDs

Ujjivan Financial Services, an Indian microfinance institution, recently raised the rupee equivalent of USD 10 million through a private placement of non-convertible debentures to undisclosed institutional investors. UK-based Standard Chartered Bank acted as the sole underwriter for the issue. Ujjivan reports total assets of USD 72 million for the year ending March 2010. August 12, 2010

Bangladesh Will Soon Finalize Microfinance Rate Caps

The Microcredit Regulatory Authority (MRA) of Bangladesh will soon finalize microcredit interest rate mandates for the country, which have been temporarily fixed at a 15 percent flat rate or a 30 percent effective rate since early 2009. Flat rates do not take into account the declining loan balance as payments are made. August 12, 2010

USAID-Tijara's Iraqi Youth Initiative to Lend \$4.4m

The US Agency for International Development (AID)-Tijara recently opened its first Iraqi Youth Initiative office. The initiative is expected to create 2,500 jobs for people under the age of 35. Implemented in partnership with USAID-Tijara's network of microfinance institutions, it has budgeted USD 4.4 million for individual and group microloans and also includes training and apprenticeship components. August 12, 2010

NABARD Tallies \$1b in Loans Outstanding

The National Bank for Agriculture and Rural Development (NABARD), which promotes the development of the rural sector in India and performs some regulatory functions, reports that it disbursed loans equivalent to USD 801 million for on-lending by 581 microfinance institutions during the year ending March 2009. As of that month, NABARD's outstanding loans total USD 1.08 billion. August 11, 2010



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Singh of Ekgaon Says MFIs Drag Feet on Technology

CEO Vijay Pratap Singh of India's Ekgaon Technologies, in an interview with the Microfinance Focus website, has said that new technology has been "half-heartedly implemented" by microfinance institutions. Of impediments to progress, he notes that some have been unwilling to modify operations to accommodate the technologies and that insufficient investment in human resources has limited the success of others. He adds that some approach "technology [as] just another way of getting...new grants." August 11, 2010

Wall's Street Advisor Services Releases Investment Benchmarks

Wall's Street Advisor Services (WSAS), a US-based investment research consultancy, has released the first of a series of benchmarks for equity investments in microfinance institutions (MFIs), the WSAS MFI Shareholder Value Indexes, which measure changes in shareholder value of a diversified set of MFIs from 32 countries. WSAS was founded by Peter Wall, who previously served as Executive Director of the Microfinance Information Exchange (MIX). August 10, 2010

Vaatsalya to Include Outpatient Coverage with Microinsurance

In a recent interview with Indian newspaper *The Economic Times*, the co-founder of Vaatsalya Healthcare Solutions, Dr V Renganathan, states that his company's health microinsurance scheme will benefit low-income Indians by covering outpatient care in addition to hospital care, which he says is all that most Indian health insurance covers. "We will price the product around USD 600 to 700 [annually] with an insured sum of USD 30,000 for a family of 4 to 5." Dr Renganathan adds that Indian microfinance institutions helped expand health insurance to low-income people, but that the service has been plagued with low-quality providers, fraud and high costs. August 10, 2010

MFTransparency Launches in India With 82 MFIs

MFTransparency, a US-based NGO that promotes accurate and transparent microcredit pricing, recently expanded its work to India, with 82 microfinance institutions so far participating. The initiative has been launched in cooperation with ACCESS Development Services, an Indian nonprofit microfinance service provider, and will include training on costs and pricing of microloan products, pricing data collection, publication of these data and the development and dissemination of educational materials. August 10, 2010

Indian Advisor Asks MFIs to Consider "Repayment Capacity"

Dr C Rangarajan, Chairman of the Indian Prime Minister's Economic Advisory Council, recently asked microfinance institutions (MFIs) to consider borrowers' repayment capacity when disbursing loans: "It is necessary to ensure that [the] burden on the borrower... [will not] make him default. It is necessary for MFIs to keep the overall cost to borrowers... at a level that is consistent with their repaying capacity." August 10, 2010

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Nigeria's Nasarawa State to Establish 13 Microfinance Banks

Alhaji Muhammed Barike Sameel, the State Commissioner of Commerce and Industry for Nasarawa, Nigeria, recently stated that his state plans to establish microfinance banks in all 13 of its local districts. No timeline or budget for the effort has been released. August 10, 2010

Tanzanian Associations Merge

The Tanzania Association of Microfinance Institutions (TAMFI) and the Coalition of Tanzania Microfinance Practitioners and Service Providers Limited have recently merged under the TAMFI name. The new entity has 12 member institutions. August 9, 2010

USAID Launches KDID to Boost Efficacy of Development Efforts

The US Agency for International Development has launched the Knowledge-Driven International Development (KDID) portal at <http://www.kdid.org>. KDID is a family of website portals that act as forums where members connect to other professionals and spread innovation and good practice to maximize the effectiveness of economic development assistance. To date, two such portals have been deployed: microLINKS, which covers the microenterprise development sector with a focus on financial inclusion, and Social Transitions, which promotes the establishment of social systems that improve quality of life in poor countries. August 9, 2010

Grameen Foundation Gets Grant from Citi to Boost HR Practices

US-based nonprofit Grameen Foundation has announced that it recently received grants totaling USD 125,000 from Citi Foundation, the charitable arm of the global financial services provider, including USD 100,000 to be directed to Grameen's efforts to help microfinance institutions better attract, retain and develop the talented staff they need to achieve their missions. August 9, 2010

Finance Minister of Bangladesh Calls Microfinance Insufficient

At the recent Citi Micro Entrepreneurship Awards in Bangladesh, Finance Minister Ama Muhith of Bangladesh argued that the growing number of microfinance institutions will not be sufficient to reduce poverty: "The root of this problem is the rate of our literacy, education and low standard of... knowledge." For a listing of award winners, please refer to <http://microcapital.org>. August 9, 2010

French Ingenico Takes Control of Remittance Provider TransferTo

Ingenico SA, a global electronic payment company based in France, recently increased its stake in TransferTo, a Singapore-based telecommunications company, from 35 percent to 90 percent. According to Ingenico CEO Eric Barbier, "[O]ur partners will greatly benefit from this unique combination, which brings together a leading provider of payment solutions and a major airtime remittance service provider." No financial information is available on TransferTo, but it operates in 40 countries and reports 1.7 million unique users monthly. August 6, 2010



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Yemen Microfinance Network Launches

The nonprofit Yemen Microfinance Network has been launched with support from the Yemeni government's Social Fund for Development and the UN Development Program. The network will be run by Deputy Prime Minister H E Abdul Karim I Al-Arhabi. August 5, 2010

India's Spandana Sphoorty Mulls IPO

Spandana Sphoorty Financial Limited, an Indian microfinance institution with assets equivalent to USD 580 million, is reportedly considering an initial public share offering. Spandana reports 3.7 million borrowers, return on assets of 8.9 percent and return on equity of 55 percent. August 5, 2010

Oxygen to Offer Kiosk Banking for State Bank of India via Sahyog

The State Bank of India (SBI) recently announced that it has entered into a partnership with payment service provider Oxygen Services Private Limited to offer kiosk-based banking services from 20,000 existing Oxygen retail locations. Sahyog Microfinance Foundation, which already serves as an SBI business correspondent, will carry out the banking transactions entered at Oxygen locations. The service will enable users to open accounts with minimal documentation by offering fingerprint readers for transactions that will include cash deposits, withdrawals and transfers to other SBI accounts. August 5, 2010

India's Sa-Dhan Launches *Micro Matters* Magazine

Sa-Dhan, a network of 237 Indian microlenders, has launched a financial inclusion magazine titled *Micro Matters*. August 5, 2010

EBRD Loans \$1.5m to Bai Tushum for MSEs in Kyrgyz Republic

European Bank for Reconstruction and Development, a UK-based development finance institution, is loaning the local-currency equivalent of USD 1.5 million to Bai Tushum and Partners, a microfinance institution (MFI) in the Kyrgyz Republic, for on-lending to micro- and small enterprises. The loan constitutes the first of two equal tranches under an agreement signed in March and is part of a USD 60 million commitment to MFIs in eight poor countries in Eurasia. For that year, Bai Tushum reports USD 53.1 million in assets, a gross loan portfolio of USD 35.1 million and 18,900 borrowers. August 4, 2010

Belgium's BIO Loans \$8m to Prasac, Sathapana of Cambodia

The Belgian Investment Company for Developing Countries (BIO) recently loaned USD 4 million each to two Cambodian microfinance institutions, Prasac and Sathapana. Founded in 1995, Prasac reported assets equivalent to USD 61.3 million, a gross loan portfolio of USD 59.4 million, 100,000 borrowers, deposits of USD 63,000 and 2,900 depositors as of 2008. For the same year, Sathapana reported assets of USD 41.4 million, a gross loan portfolio of USD 37.6 million, 37,000 borrowers, deposits of USD 1.9 million and 21,000 depositors. For 2009, BIO reports USD 319 million in net commitments. August 4, 2010



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CAF Approves \$5m Credit Line for Peru's CRAC for MSEs

The Andean Development Corporation (CAF), a multilateral financial institution, has approved a USD 5 million line of credit for Caja Rural de Ahorro y Credito (CRAC) Nuestra Gente, a Peruvian microfinance institution, to finance micro- and small enterprises. As of 2008, CRAC had the equivalent of USD 163 million in assets, a gross loan portfolio of USD 123 million, USD 105 million in deposits and 77,000 borrowers. CAF of Venezuela reports assets of USD 14.2 billion. August 3. 2010

India's Pension Authority Launches Microsavings Product

India's Pension Fund Regulatory and Development Authority has launched a new offering under its National Pension System, entitled NPS-Lite, to promote savings among poor people. Although details are few, the program will rely on other government organs, NGOs and microfinance institutions to target and service enrollees. August 3. 2010

IFC Arranges \$135m Syndication for Brazil's Banco Fibra for SMEs

The International Finance Corporation (IFC), the private sector arm of the World Bank Group, recently arranged a syndicated loan totaling the equivalent of USD 135 million for Banco Fibra, a Brazilian bank that reported 2009 assets of USD 6.7 billion, to expand its services for small and medium-sized enterprises. Of the total, USD 15 million is being loaned from IFC's account, while the remainder is funded by a consortium of 11 international banks in two tranches, the larger denominated in US dollars and the smaller in euros. August 2. 2010

Compartamos Reports Lending Up, NPLs Down in Second Quarter

Mexican microfinance institution Banco Compartamos has announced its non-audited financial results for the quarter ending June 2010, which indicate that its number of active clients is up 23 percent since the previous year to 1,626,000, the total loan portfolio is up 26 percent to the peso equivalent of USD 673 million and non-performing loans are down to 2.19 percent from 2.26 percent. August 2. 2010

South Korea to Investigate MFI Interest Rates

The South Korean Financial Services Commission has announced that it will begin an investigation into the lending rates charged by domestic microfinance institutions, which reportedly average 32 percent. Authorities estimate the cost of microloans including loan servicing and bad debt reserves to total 10 percent. August 2. 2010

European Investment Fund to Guarantee \$32m for Microlending

The EU has mandated the European Investment Fund to implement a euro-denominated guarantee equivalent to USD 32 million under the European Progress Microfinance Facility (EPMF), which will issue guarantees to public and private financial institutions to cover microloans or guarantees supporting microloans to individuals and microenterprises in EU member states. EPMF's budget for the four years through December 2013 is USD 130 million. August 2. 2010

Korea's Smile Microcredit Bank Launches New Loan Product

The South Korean government has launched "Sunshine Loans" under the state-run Smile Microcredit Bank. Via both public and private financial institutions, the program is slated to disburse the local-currency equivalent of USD 8.45 billion over five years. The program offers business loans of up to USD 42,000 and loans to finance "urgently needed" living expenses up to USD 8,400. The implementing institutions will set interest rates at up to 13.1 percent per year. August 2. 2010

G-20, Ashoka Announce SME Finance Challenge

Through September 5, the Group of 20 Finance Ministers and Central Bank Governors and US-based nonprofit Ashoka are accepting applications for a contest for private-sector models that catalyze finance for small and medium-sized enterprises. August 1. 2010

ThoughtWorks to Support Mifos Technology Platform

ThoughtWorks, a US-based technology firm, has announced that it will upgrade the Grameen Foundation's Mifos software platform, which is reportedly used by microlenders to serve 800,000 clients. July 29. 2010

Banks in Fiji Complete Establishment of Microfinance Units

The Reserve Bank of Fiji (RBF) has reportedly completed its effort to compel all commercial banks in Fiji to establish "microfinance units." RBF Governor Sada Reddy expressed the hope that the effort will encourage investors to invest in Fiji's financial sector. July 29. 2010

EBRD Loans \$4m in Turkmenistan for SMEs

The European Bank for Reconstruction and Development is providing loans of USD 2 million each to two institutions in Turkmenistan for on-lending to small and medium-sized enterprises: state commercial bank Turkmenbashi and JSCB Senagat, which is reportedly the only Turkmen bank controlled by a private stakeholder. Both loans are supplemented by technical assistance grants of unspecified size. No financial information is available on either borrower. July 28. 2010

Turkish Microloans Expected to Reduce Domestic Violence

The Special Provincial Administration (SPA) of Kocaeli, Turkey, has reportedly distributed microloans totaling the equivalent of USD 629,000 to 993 female entrepreneurs who have taken on weekly payments of USD 2.60 to USD 13 over periods of up to 50 months. SPA Secretary-General Metin Yahsi was quoted as saying, "The microcredit project is very important for including poor people in the system, for allocating a space for women in work life, for preventing domestic violence and for increasing family prosperity." July 28. 2010

IFC, GTZ to Advise Philippines' Central Bank on SME Lending

The World Bank Group's International Finance Corporation and Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), a German governmental development agency, are providing technical assistance to the Philippines' central bank to strengthen its supervisory and regulatory capacity for lending to small and medium-sized enterprises in order to increase credit flow to the sector. July 28. 2010

Saija Aims High to Spread Microfinance in Bihar

Since 2008, Saija Finance Private Limited, a non-banking finance company with total assets equivalent to USD 240,000 and 2,860 borrowers, has been providing microfinance services in the Indian state of Bihar, with a reported default rate of zero. By 2011, Saija aims to have 20 branches and 60,000 clients in northern India. July 28. 2010

USAID Supports Southern Sudan Microfinance Conference

With sponsorship from the US Agency for International Development, Southern Sudan recently held what was billed as its first microfinance conference. The aim was to provide a forum for stakeholders to exchange views about microfinance in the region and to develop a strategy to improve it. July 27. 2010

Oikocredit Loans \$4.7m in Bolivia

Oikocredit, a Dutch microfinance investment fund with assets equivalent to USD 665 million, recently loaned a total of USD 4.7 million to four Bolivian microfinance institutions. Centro de Investigacion y Desarrollo Regional, which was established in 1990 and reports assets of USD 15.7 million, received USD 1.7 million. Credito con Educacion Rural, which was also established in 1990 and reports USD 51.2 million in assets, received USD 1.5 million. Diaconia Fondo Rotativo de Inversion y Fomento, with USD 35 million in assets, received USD 1 million. FUBODE, with USD 35 million in assets, received USD 500,000. July 27. 2010

SEEP Network Publishes Draft of Updated Reporting Standards

The Small Enterprise Education and Promotion Network, a US-based NGO that works to connect microenterprise practitioners, has released a draft of its “Microfinance Reporting Standards Initiative,” which is the successor to its “SEEP Framework” of 2005. July 27. 2010

Oikocredit Loans \$3.4m in Columbia, El Salvador, Paraguay

Oikocredit, a microfinance investment fund in the Netherlands with assets equivalent to USD 665 million, recently loaned USD 3.46 million to three Latin American microfinance institutions (MFIs). Contactar, a Colombian MFI with assets of USD 14.7 million, received the local-currency equivalent of USD 521,000. Sociedad Cooperativa Patronato para el Desarrollo de las Comunidades de Morazon y San Miguel Credit, a Salvadoran MFI with assets of USD 3.59 million, received USD 500,000. Banco Itapua of Paraguay received USD 2.44 million. Financial data on Banco Itapua are not available. July 27. 2010

Vineet Sukumar of IFMR Capital Defends Securitization

Vineet Sukumar of the Institute for Financial Management and Research Capital recently offered a counter-argument to consultants Daniel Rozas and Vinod Kothari who recently made their case on the Microfinance Focus website that “microfinance securitization does not, in reality, separate ‘pool risk’ from ‘originator risk’.” Mr Sukumar argues that “several structural mitigants have been built in to counter servicer risk...the MFI [microfinance institution] maintains a first loss cash collateral from the onset of the transaction...and...it is mandatory for MFIs to provide detailed [management information system data] on collections to the trustee with every payment.” July 27. 2010

Village Financial to Finance Water Purifiers in India

Village Financial Services Private Limited (VFS), a microfinance institution in eastern India, and Hindustan Unilever Limited (HUL), the Indian division of the UK-based global consumer goods company, have agreed to provide no-interest loans to poor households to buy HUL’s Pureit water purifiers. The cost of the purifiers has not been released, but the loan may be repaid in weekly installments over eight months. As of 2008, VFS reports USD 9.4 million in total assets, a gross loan portfolio of USD 6.6 million and 77,000 active borrowers. July 26. 2010

Making Cents Launches Youth Web Portal

Making Cents International, a US-based nonprofit focused on developing the youth enterprise sector, recently announced the launch of the Youth-Inclusive Financial Services Linkage Program at <http://www.yfslink.org>, an online portal for financial services providers and youth-serving organizations to network on the topic. July 26. 2010

WOW Microfinance Scheme for Single Mothers Expands in Guyana

Women of Worth, a microcredit scheme that aims to help single mothers in Guyana start small businesses, has expanded to the region of Essequibo. Launched in June by the commercial Guyana Bank for Trade and Industry Limited (GBTI), the program has received 3,000 applications to date for the collateral-free loans for those earning less than USD 195 per month. The maximum loan size is the equivalent of USD 1,200, and loans include a grace period up to six months. In 2009, GBTI reported USD 265 million in total assets, USD 225 million in deposits and return on average assets of 1.92 percent. July 26. 2010

MTN Group Launches Mobile Money Service in Ghana

MTN Ghana, a member of South African telecommunication service provider MTN Group, has launched MTN Mobile Money, which offers fund transfers, withdrawals and bill-pay services without requiring a bank account. MTN Mobile Money is supported by African banks such as Ecobank, Stanbic Bank, Zenith Bank, GT Bank and Cal Bank. MTN Group’s stated assets are equivalent to USD 20.8 billion. July 26. 2010

Indonesia’s State Banks Raise Targets for Microfinance Lending

Indonesia’s State-Owned Enterprises Minister recently announced that the six state-owned banks will increase their microcredit loan targets this year to the equivalent of USD 1.9 billion from USD 1.4 billion. Also, the government “expects” the 26 regional development banks to raise their microloan targets to a total of USD 243 million. July 26. 2010

Kongalend of Namibia to Lend for Renewable Energy Products

Kongalend has been launched in Namibia with the aim of offering collateral-free loans to individuals and companies for the purchase of renewable energy products. Loans worth up to the equivalent of USD 332 will be issued not in cash, but through seven unnamed local partners that provide renewable energy technology. Kongalend has received an unspecified investment from the Government Institutions Pension Fund’s USD 243 million Development Capital Portfolio. July 26. 2010

Indian Finance Minister Calls on Mainstream Banks to Reach Poor

Indian Finance Minister Pranab Mukherjee recently argued that, “Financial inclusion is a necessary part of our growth process....The entire economic system in our country needs to work together on this. The task ahead is huge.” July 26. 2010

BlueOrchard Closes Private Equity Fund at \$195m

BlueOrchard, a Swiss microfinance intermediary, recently closed its BlueOrchard Private Equity Fund with USD 195 million in total commitments. The fund acquires minority stakes in microfinance institutions and aims to play an active governance role. The target rate of return is reportedly 20 percent per year. BlueOrchard reported USD 980 million under management as of 2009. July 26. 2010

Sri Lanka to Establish Microfinance Supervisory Authority

The government of Sri Lanka recently approved a draft bill to set up the Microfinance Regulatory and Supervisory Authority, which would license, regulate and supervise both nonprofit and for-profit microfinance institutions. The bill is a change from previous efforts to assign the tasks to the central bank. July 26. 2010

Agricultural Bank of China Reports Microlending \$12b in Quarter

The Agricultural Bank of China Limited (ABC), a state-owned bank with 24,000 branches and sub-branches and total assets equivalent to USD 1.3 trillion as of 2008, has reportedly provided microloans of USD 12.2 billion to Chinese farmers during the first three months of 2010. In all of 2009, ABC disbursed USD 9.9 billion in such microloans. ABC offers microloans ranging from USD 443 to USD 7,380, which have reportedly reached 15 million rural Chinese residents. July 23. 2010

Indian MFIs Enjoy \$84m in PE During First Half of 2010

Indian microfinance institutions reportedly attracted private equity investment totaling the equivalent of USD 84 million during the first half of 2010, an increase of 15 percent over early 2009. July 23. 2010

Social Performance Award Registrations Hit 300

CGAP (Consultative Group to Assist the Poor) reports that 300 microfinance institutions plan to submit data to the Second Annual Social Performance Reporting Awards. MicroCapital encourages you to do the same at <http://www.themix.org/standards/sp-reports!> July 23. 2010

Amanah Ikhtiar Claims “World’s Highest” Repayment Rate

The above story about Saija Finance Private Limited notwithstanding, Malaysian microfinance institution, Amanah Ikhtiar Malaysia (AIM), has claimed the “world’s highest” microcredit repayment rate of 99.2 percent. Founded in 1987, AIM reports assets of USD 232 million, a loan portfolio of USD 133 million, 165,000 borrowers, return on assets of 2.32 percent and return on equity of 14.49 percent. July 23. 2010

Nigeria Completes Examination of MFIs

Following complaints of fraud by many microfinance institutions (MFIs) and the failure of some, the Central Bank of Nigeria and Nigeria Deposit Insurance Corporation conducted an examination of the sector, revealing that the ratio of non-performing loans at most MFIs is above 2.5 percent. To handle failed MFIs, the authorities are expected to use a range of strategies, including liquidation, injecting rescue funds and looking for new owners to bring in fresh capital. July 23. 2010

Finance In Motion Endorses Responsible Investment Principles

Joining a wide range of microfinance-oriented and other investors, German asset manager Finance in Motion has signed the UN's Principles for Responsible Investment, thereby pledging to integrate environmental, social and corporate governance issues into its investment processes and to make public its efforts in this vein. Finance in Motion is advisor to the microfinance fund European Fund for Southeast Europe, which reports outstanding loans equivalent to USD 710 million. July 23. 2010

Sahulat to Establish Interest-free Cooperatives in India

Sahulat Microfinance Society, an Indian social service organization, recently announced plans to establish 500 self-funded, interest-free lending cooperatives by the end of 2016. Nonprofit Sahulat was formed in March in New Delhi by a group of scholars, economists and social activists to arrange interest-free microloans in support of socio-economic, economic and educational development. July 22. 2010

Total Capital of Cooperative Societies in Lagos Reaches \$3b

Enock Ajiboso, the Nigerian Commissioner for Agriculture and Cooperatives, has reported that the aggregate capital base of the 15,000 registered cooperative societies in Nigeria's Lagos state has reached the equivalent of USD 3 billion. Mr Ajiboso added that many of the million families involved in the coops had purchased their homes. July 22. 2010

IFC, EBRD Syndicate \$164m in Debt for Russia's Transcapitalbank

Two development finance institutions, the International Finance Corporation and the European Bank for Reconstruction and Development, have jointly raised USD 164 million of debt financing for Transcapitalbank, a Russian bank that primarily supports small and medium-sized enterprises with total assets equivalent to USD 1.9 billion. The arrangers each provided three-year A loans of USD 30 million while an additional USD 104 million in B loans was syndicated to a consortium of 12 European commercial banks. July 22. 2010

Russia May Establish Microfinance Institution Supervisory Unit

To enforce microfinance regulations due to take effect at the end of 2010, the Russian Finance Ministry has announced that a new supervisory unit of the Finance Ministry may be established. The new regulations prohibit microfinance institutions (MFIs) from participating in the securities market, borrowing funds from individuals, securing obligations of MFI owners, providing loans in foreign currencies, penalizing borrowers for pre-payment or unilaterally changing interest rates or the method of rate determination. Additionally, the law caps loan sizes at the equivalent of USD 32,000 and imposes unspecified limits on fees and the length of loan terms. July 22. 2010

KfW Gives Ethiopia \$7.8m in Guarantees, Grants for MFIs

German development bank KfW Bankengruppe recently agreed to a guarantee facility totaling the euro equivalent of USD 7.8 million with the government of Ethiopia to benefit the country's microfinance institutions. KfW will provide a guarantee of USD 5.8 million to Ethiopian banks to support loans to microfinance institutions and a grant of USD 1.9 million for both banks and microlenders for technical assistance in support of the effort. July 21. 2010

ASOMIF Peru Credit Portfolio Up 19 Percent

The Association of Microfinance Institutions (ASOMIF) of Peru, a network of 23 microfinance institutions, has reported that as of April 2010, the country's microfinance credit portfolio was USD 5.9 billion, up 19 percent from April 2009. The banking sector as a whole in Peru grew by roughly 9 percent during the same period. July 21. 2010

Oxfam Novib Loans in Local Currency to Egypt's Al Tadamun

Triple Jump, a Dutch microfinance investment manager, recently reported to MicroCapital that the Oxfam Novib Microfinance Fund has provided a local-currency loan of unspecified amount to Al Tadamun, an Egyptian microfinance institution (MFI) that reported total assets of USD 8.6 million for 2008, after enduring an 18-month process to obtain government authorization for the transaction. According to Triple Jump, this loan is "the first ever local currency direct loan to an MFI in Egypt made by an international [microfinance investment vehicle]." Triple Jump manages 150 investments in 49 countries with a total value of USD 210 million. July 21. 2010

Citigroup May Open Shariah-compliant Banks in Pakistan

The major international financial services provider Citigroup is reportedly considering opening banks in Pakistan that would operate in accord with the Muslim prohibition on charging interest on loans. Instead, Shariah-compliant lenders may charge fees and engage in profit-sharing arrangements with borrowers. Global Director of Citi Microfinance Robert Annibale reportedly said, "There are large microfinance banks in Indonesia, Bangladesh, Pakistan, Morocco, Egypt and India where the strength of the Muslim population is greater. But interestingly none of them are Shariah-compliant." July 21. 2010

MIX Releases Initial Set of 5 Online "Country Briefings"

The nonprofit Microfinance Information Exchange (MIX) recently released its first set of "Country Briefings," which provide information on microfinance institution performance, funding structure and supply and demand. Currently available are briefings on Morocco, Kenya, Cambodia, Peru and Bosnia and Herzegovina. July 21. 2010

CRISIL Rates Equitas as BBB/Stable

Credit Rating and Information Services of India Limited, an affiliate of Standard & Poor's, recently published a "BBB/stable" rating for Equitas Micro Finance Private Limited, an Indian microfinance institution reporting total assets equivalent to USD 147 million. July 20. 2010

Promoters of India's Bharatiya Samruddhi Buy Back 7% Stake

The promoters of Bharatiya Samruddhi Finance Limited (BSFL), the microfinance arm of BASIX Group, have announced that they will increase their stake in BSFL from 23 percent to 30 percent by spending the equivalent of USD 18 million to buy back shares from Indian public charitable trust ICICI Foundation for Inclusive Growth, the International Finance Corporation and socially oriented private equity investor Shorecap International Limited. ICICI is expected to exit from the company by selling its 2.8 percent stake, while the others are likely to sell just part of their stakes. BSFL reports a gross loan portfolio of USD 73.6 million, assets of USD 111 million, return on assets of 1.8 percent, return on equity of 15.6 percent and 499,000 clients. July 20. 2010

responsAbility Loans \$1m to Apoyo Integral of El Salvador

responsAbility, a Swiss microfinance investment manager, recently reported to MicroCapital that it has executed debt investments totaling USD 1 million in Apoyo Integral of El Salvador, which will receive USD 750,000 from the Global Microfinance Fund and USD 250,000 from Mikrofinanz-Fonds at a fixed interest rate of 7.75 percent for 23 months. Apoyo Integral reports USD 64.2 million in assets, return on assets of 0.09 percent and return on equity of 0.59 percent. July 19. 2010

PesaPot, RedCloud to Offer Mobile Technology to Kenyan MFIs

Technology providers PesaPot and RedCloud have announced that they will partner to provide mobile technology to microlenders in Kenya that “will enable Field and Loan Officers to register customers in real-time, make loan applications, [and collect] repayments.” July 19. 2010

IFC Disburses \$25m to Zambia National Commercial Bank

The International Finance Corporation, a member of the World Bank Group, has announced that it will loan USD 25 million to the government-owned Zambia National Commercial Bank PLC (Zanaco) to increase access to finance for small and medium-sized enterprises, particularly in the agricultural sector. Neither the terms of the loan nor financial data on Zanaco are available. July 19. 2010

UN to Distribute \$1.8m in Solar Panels via Loans from Nepal's Ace

The UN Environment Programme has allocated USD 1.8 million to subsidize the purchase of solar panels via microloans to be disbursed by Nepal's Ace Development Bank, which reports total assets equivalent to USD 53.5 million. July 19. 2010

IFC to Assist Jordan in Developing Secured Lending

The International Finance Corporation, a member of the World Bank Group, has announced that it will assist Jordan in developing a legal and institutional framework for secured lending, which involves the use of assets, such as equipment and inventory, as collateral for loans. Rula Hadaddin of Jordan's Ministry of Industry and Trade said, “Legal reform to enhance the rights of lenders in movable collateral will promote greater access to finance for small and medium-sized enterprises in Jordan.” July 19. 2010

Clinton Bush Haiti Fund Announces \$1m in Grants

The Clinton Bush Haiti Fund, a nonprofit created by former US presidents Bill Clinton and George W. Bush to assist Haiti following the January 12 earthquake, has announced USD 1 million in new grants aimed at promoting economic opportunity. An unspecified portion of the grant will finance the Haiti Emergency Liquidity Program (HELP), which will buy “earthquake-affected” microloans. As previously reported by MicroCapital, HELP was created by the Inter-American Development Bank in June. July 19. 2010

Aabar Invests \$54m in BlueOrchard PE Fund, Oasis Fund

Aabar Investments PJSC of Abu Dhabi recently announced investments of USD 34.5 million in BlueOrchard Private Equity Fund and USD 19.8 million in Oasis Fund. The BlueOrchard Private Equity Fund is a microfinance investment fund with USD 195 million in total commitments. While no financial information is available for Oasis Fund, it seeks to invest in commercially viable enterprises that benefit low-income communities by providing access to healthcare, energy, clean water, housing and education. With total assets of USD 9.9 billion, Aabar Investments has holdings in energy, infrastructure, real estate, financial services and the automotive industry. July 18. 2010

Rafode is pleased to announce its partnership with Oxfam Novib to expand its microlending services in Kenya



www.rafode.org

Penny for Your Thoughts? IFC Has \$382k for DR's ADOPEM

The International Finance Corporation, a member of the World Bank Group, has agreed to fund USD 382,000 in advisory services to build the capacity of Asociacion Dominicana para el Desarrollo de la Mujer (ADOPEM), a microfinance bank in Dominican Republic. The project will focus on improving the efficiency of the ADOPEM's credit processes, strengthening its risk management and increasing the mobilization of savings. ADOPEM reports total assets of USD 56.5 million, a gross loan portfolio of USD 39.2 million and 89,071 borrowers as of 2008. As of 2009 it reported return on assets of 5.58 percent and return on equity of 21.58 percent. July 16. 2010

IFC Pledges Support for Lesotho's Microfinance Sector, SMEs

The International Finance Corporation has pledged to support small and medium-sized enterprises (SMEs) in Lesotho “by providing access to capacity-building tools...[and] actively seeking opportunities to finance microfinance institutions and facilitate increased bank lending to SMEs in the country through a combination of risk sharing facilities and advisory services.” July 16. 2010

Swadhaar Raises \$5.9m in Equity from Indian, US Investors

Swadhaar FinServe Private Limited, a Mumbai-based microfinance institution with total assets equivalent to USD 2.1 million, recently announced that it will receive USD 5.9 million in equity from the following investors: Unitus Equity Fund, a private equity fund managed by Elevar Equity; MicroVest, a US-based investment group; an Indian family trust; Swadhaar's promoter group; and two US-based nonprofits, ACCION International and the Michael and Susan Dell Foundation. Grameen Capital India will supervise the transaction. July 15. 2010

Microcredit Summit Campaign Calls for Action Plans

The Microcredit Summit Campaign, a project of the US-based RESULTS Educational Fund, is requesting that its member institutions submit action plans to gauge progress toward the campaign's goals for 2015: reaching 175 million of the world's poorest families with microloans and documenting that 100 million of those families rise above the USD 1-per-day poverty threshold. The due date for the plans has not been announced, but the plans will be presented at the Global Microcredit Summit in Valladolid, Spain, in November 2011. July 15. 2010

Network Seeks Link with Unique Identification Authority of India

The Microfinance Institutions Network (MFIN), a trade association of Indian microlenders, has announced its hope to register with the Unique Identification Authority of India (UIDAI), an Indian organization established in 2009 to issue personal identification numbers nationwide. With access to these data, MFIN believes its members will be able to better track their loan accounts thus avoiding overindebtedness. UIDAI will reportedly consider opening its system to MFIN members after it completes its rollout to municipalities and banks. July 15. 2010

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CGAP Chairman Mahajan Wants Banks to Drop MFI Rates

In a recent interview with LiveMint, a business website owned by *The Wall Street Journal*, Vijay Mahajan, President of the Microfinance Institutions Network, a network of 39 microfinance institutions (MFIs) in India, argued that “banks should charge less than 10 percent while lending to MFIs.” According to Mr Mahajan, banks currently charge 11.5 percent to 14.5 percent per year, inflating the total interest rates MFIs charge borrowers, which he reckons now average 26 percent. Mr Mahajan added that he expects the interest rates charged by MFIs to decrease as the cost of borrowing from banks decreases, the volume of customers increases and more efficient use of technology helps bring down operational costs. July 15, 2010

responsAbility Loans \$5.1m in Bolivia, Peru

Swiss responsAbility Social Investments, manager of Global Microfinance Fund (GMF) and Mikrofinanz-Fonds, recently reported to MicroCapital that it has disbursed loans to the Bolivian arm of Pro Mujer, a microfinance institution supporting poor women in Latin America; Coffee Central Agricultural Cooperatives (COCLA), a Peruvian coffee cooperative; and Asociacion Union de Cafetaleros Ecologicos (Unicafe), a Peruvian coffee producers association. GMF provided USD 750,000 and Mikrofinanz provided USD 250,000 to Pro Mujer Bolivia for three years at an interest rate of 5 percent. GMF provided USD 3 million and Mikrofinanz provided USD 1 million to COCLA for seven months at an interest rate of 10 percent. GMF provided USD 100,000 to Unicafe for six months at a rate of 11.25 percent. July 15, 2010

After Losing License in Rwanda, Blue Warns Borrowers to Repay

Blue Financial Services Limited, an international microfinance institution based in South Africa that recently lost its license to operate in Rwanda, has announced that it may take legal action against borrowers who do not repay outstanding loans in that country. Rwanda's central bank, The National Bank of Rwanda, reportedly agrees with Blue Financial Services' position. Blue has 800 borrowers in Rwanda with outstanding loans equivalent to USD 829,000. Recently acquired by the turnaround specialist Mayibuye Group, Blue Financial Services reported assets of USD 200 million in February. July 14, 2010

Triple Jump Loans \$2.5m in Mexico, Cambodia

Triple Jump, a Dutch microfinance investment manager, recently reported to MicroCapital that its ASN-Novib Fund, a microfinance investment vehicle with assets of USD 101 million, has loaned USD 2 million to Mexican microfinance institution EnConfianza and the local-currency equivalent of USD 500,000 to Cambodia's Credit Microfinance Institution. No financial information is available on EnConfianza, but Credit Microfinance reports a gross loan portfolio of USD 24 million and total assets of USD 28 million. July 14, 2010

South Korea's Smile to Extend Loans to Refugees from North

The South Korean Unification Ministry recently launched a microfinance scheme in collaboration with the government-led Smile Microcredit Bank to provide business loans and consulting services to North Korean refugees. Established in December 2009, Smile Microcredit Bank has received commitments equivalent to USD 1.6 billion to be disbursed over 10 years from Samsung Group, Hyundai Motor Group and other major Korean corporations. July 14, 2010



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SPECIAL COVERAGE

The initial public offering from SKS Microfinance has caused a ripple of news - both on the offering itself and of opinion regarding what it means to make money by serving poor people. We hope you enjoy this bonus section!

SKS IPO Scheduled to List August 16 on Two Stock Exchanges

SKS Microfinance's recently issued stock was scheduled to begin trading publicly on August 16 on both the Bombay Stock Exchange and the National Stock Exchange of India at an expected list price of INR 1,200 (USD 26) per share. SKS delivers group microloans to impoverished women in India. It is a for-profit non-banking finance company which converted to a public limited company in May 2009 and launched an initial public offering on July 28, 2010. Equity investors include Quantum Hedge Fund, Sequoia Capital, Vinod Khosla, Small Industries Development Bank of India, Bajaj Allianz, Yatish Trading, Kismet Capital, Sandstone Capital, Silicon Valley Bank and Unitus. As of March 31, 2009, SKS reported total assets of USD 596 million, 3.5 million active borrowers, return on assets of 3.68 percent and return on equity of 18.72 percent. August 13, 2010

Blogger Sees Conflict, Notes Yunus' Cameo on "The Simpsons"

Using quotes from New York University Professor Jonathan Morduch, blogger John Cookson recently argued on the Big Think website that there is a division between the motives of microfinance institutions whereby some are "socially responsible," such as Grameen Bank of Bangladesh, and others are merely "capitalizing on the global tightening of credit to expand using more traditional business models," such as SKS Microfinance of India. Given the recent initial public offering by SKS, Mr Cookson argues the microlender will now allow "its social investment interests [to] cede to shareholder interests." In what may be a lonely vote of confidence for the social merits of *The Simpsons*, Mr Cookson also cites the scheduled stint of Nobel laureate Muhammad Yunus on the animated television series. August 13, 2010

SKS Share Offer 13 Times Oversubscribed

When SKS Microfinance launched India's first initial public offering on July 28, 2010, the total share issue received bids for 13.5 times the overall shares on offer, with the institutional share offer oversubscribed by 20.3 times. The share bids were at the high end of the INR 850 to INR 985 (USD 18.42 to USD 20.04) price range. SKS Microfinance sold 3.02 million shares to investors including ICICI Prudential, BNP Paribas, Nomura, Reliance Capital, JP Morgan, Morgan Stanley and Goldman Sachs. August 9, 2010

Unitus Equity Fund to Sell Part of Stake in SKS Microfinance

Unitus Equity Fund, a privately-funded microfinance investment fund, was expected to reduce its shareholdings in SKS Microfinance by selling approximately 1 million shares during the microfinance institution's initial public offering. Unitus Equity Fund reportedly owns a total of 3.7 million shares in SKS, which - priced at about USD 16 per share - are valued at USD 60 million, which compares nicely to the fund's initial total investments of USD 6 million made between 2006 and 2008. As reported in the previous issue of this newspaper, Unitus Incorporated has announced that it will discontinue its nonprofit microfinance activities. See page 2 of this issue for more on concerns regarding the fate of charitable funds provided to the organization by donors. August 1, 2010

SKS Raises \$64m in Advance of IPO

Ahead of its initial public offering, SKS Microfinance reports that it raised the rupee equivalent of USD 64 million in a share allotment to 36 undisclosed investors at INR 985 (USD 21) per share. July 29, 2010

SKS to Double Employee Count

SKS Microfinance has announced that it is planning to double its employee count to 42,000 by the end of the year ending March 2011. SKS reportedly has doubled its employee count in each of the past two years. July 26, 2010

Soros's Quantum Hedge Fund Invests in SKS Ahead of IPO

The Quantum Group of Funds, which consists of several privately owned hedge funds managed by Soros Fund Management, has purchased 300,000 shares in SKS Microfinance from Yatish Trading Company Private Limited, an Indian securities firm, at a price of INR 636 (USD 13) per share. No public financial information is available on the Quantum Group of Funds. July 26, 2010

SKS Sets Price for IPO, Offers Discount to Retail Investors

SKS has set a price range of INR 650 to INR 700 (USD 14 to USD 15) per share for its upcoming initial public offering, with a 5 percent to 10 percent discount to be offered to retail investors. The company plans to sell 16.8 million equity shares - including 7.5 million new issue shares and 9.4 million shares to be sold by existing shareholders, none of whom will exit the company during the next three years. July 22, 2010

Upcoming IPO by SKS Graded 4/5 by CARE Ratings

Credit Analysis and Research Limited of India has rated the upcoming initial public offering of SKS Microfinance, a microfinance institution that caters to women in India, as Grade 4/5, indicating "above average fundamentals." July 19, 2010

Financial Times Cites Concerns Over For-profit Microlending

An article in the *Financial Times* titled "Microfinancing Spreads Beyond India's Grassroots" discusses concerns raised by some microfinance experts regarding the rapid increase in microlending by profit-oriented companies in India. "Many of these companies are suffering serious capital constraints, so they and their equity fund investors are closely watching SKS's forthcoming initial public offering, hoping to follow in its footsteps.... [The World Bank] has warned that rapid expansion and heated market competition could come at the risk of sound credit management - which could lead to regulatory intervention that may choke the industry." July 30, 2010



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EDITORIAL

Mission Accomplished?

Everybody's still talking about SKS. I should run the other way, but here I go anyway. I first turned to the CEO of Compartamos, Fernando Alvarez Toca, to ask what advice he would give SKS in light of his experience with the Compartamos initial public offering (IPO). His words suggest that SKS will have a tough time putting mission over money: "From now on and sooner rather than later, their team needs to focus on what they should be doing to meet the expectations of all the stakeholders, especially the new ones that are the IPO buyers...." Fernando's rightly makes a point that there is a difference between early investors and "IPO buyers." Early promoters raised money for SKS by selling a mission; IPO buyers want to protect the value of their investment. The hullabaloo over SKS's IPO is partly caused by public indignation that its early investors were in it to eradicate poverty, yet they gained large sums of money from charging clients high interest rates (to the detriment of poverty alleviation) in order to ensure SKS's profitability, and yes, ultimately outreach. One of these, Unitus, unexpectedly announced its exit from microfinance last month. Unitus's mission was, "Unitus fights global poverty by accelerating the growth of microfinance...where it is needed most." The poor are still poor, so the cry of "mission accomplished" suggests that Unitus' dual goals of accelerated microfinance institution (MFI) growth and poverty alleviation may not be as directly related as they initially seemed.

There lies the conflict the microfinance industry is now struggling to resolve. Is the value of microfinance its ability to alleviate poverty, promote financial inclusion or some combination of the two? If the answer is the former, are profits appropriate? Muhammad Yunus of Grameen Bank recently commented on the SKS IPO, stating "there are ethical issues about making profits from the money of the poor." SKS

disagrees, arguing that microfinance should not be a "social business" without profit: "If the microfinance industry is going to provide the estimated USD 45 billion of credit needed by the poor, it must tap commercial capital markets - and that means structuring microfinance so that investors can expect a return on their investment." Sectors outside microfinance that provide needed services to low-income people would agree, but they don't typically have missions (or PE ratios for that matter) like that of SKS: "Our purpose is to eradicate poverty. We do that by providing financial services to the poor and by using our channel to provide goods and services that the poor need." Reliance is one of India's largest cell phone companies. Words like "eradicate" and "poverty" are nowhere to be found in its mission statement. Instead, we see: "Customer expectations; processes; products and services that are value for money and excite customers; loyalty, inspiration, and leadership." If phone companies provided all this, the world would be a better place, though not necessarily less poor.

My view is that we need better segmentation of MFIs, investment funds and investors. Without sufficient transparency of social and financial objectives and performance, the industry risks alienating social investors like Unitus and pushing microfinance to be more like Reliance, following the route of Compartamos and SKS by obligation rather than by choice.

About the Author: Ms Barbara Magnoni is President of EA Consultants, a development consulting firm based in New York. She has 15 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@eac-global.com.



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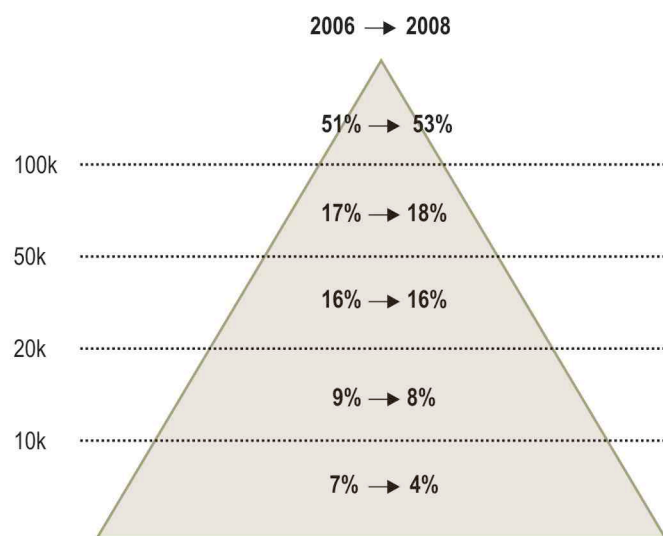
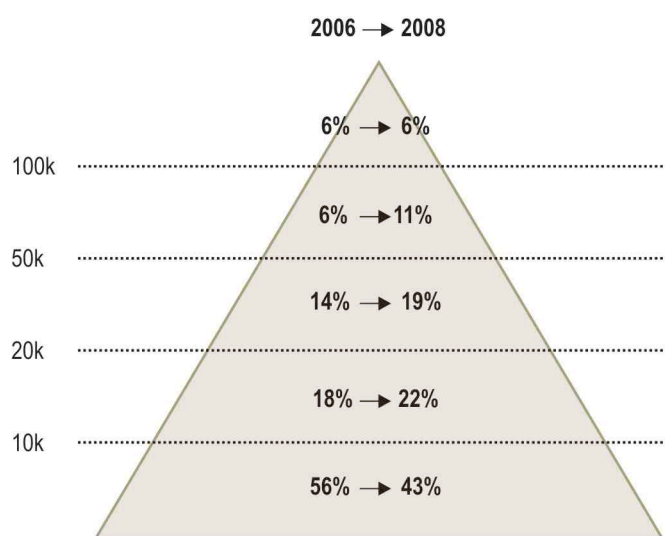
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161 MFIs REPORTING¹

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

MFIs NAME	COUNTRY	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2006	2008
Equity Bank	Kenya	214,719,518	124	106,374,024	535,813,060
Capitec Bank	South Africa	96,707,345	60	125,014,560	318,429,249
Amhara Credit and Savings Institution	Ethiopia	38,733,643	41	78,201,272	155,668,558
Centenary Rural Development Bank Limited	Uganda	33,646,886	34	84,001,728	151,295,500
Dedebit Credit and Savings Institution	Ethiopia	30,280,026	31	85,266,400	145,826,452
Crédit Mutuel du Sénégal	Senegal	30,055,277	34	74,866,728	134,977,281
Kenya Women Finance Trust	Kenya	28,720,492	66	32,749,610	90,190,593
Réseau des caisses populaires du Burkina Faso	Burkina Faso	23,196,325	32	62,563,080	108,955,730
CamCCUL	Cameroon	16,777,954	26	58,403,356	91,959,264
K-Rep Bank	Kenya	12,599,927	21	54,093,296	79,293,150

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 2006 - 2008 to MicroBanking Bulletin (MBB) or MIX Market.
 Source: Microfinance Information Exchange, Inc., August 2010, based on MFIs reporting to MBB or MIX Market.

UPCOMING EVENTS

Microinsurance 2010

August 24 - August 25, 2010, Johannesburg, South Africa
This event will address regulation, distribution models and evaluating target markets. The registration fee is ZAR 7,499 plus VAT. Details are available from Jade Nelson at jnelson@iir.co.za, +27 011 771 7000 or <http://www.iir.co.za/detail.php?c=2290#>.

Global Partnerships in Microfinance

September 6 - September 7, 2010, London, UK
This event will explore ways that partnerships can facilitate the alleviation of poverty through microfinance. The registration fee is GBP 200. More details are available via +44 20 8331 7867, first-stop@gre.ac.uk or <http://www.gre.ac.uk/enterprise/business-events/events/current/global-partnerships-microfinance/>.

Uniglobal Microinsurance Forum 2010

September 9 - September 10, 2010, Vienna, Austria
This event will cover topics such as working with microlenders, deploying technology, cooperating with re-insurers and improving distribution and claims management strategies. Pricing information is unavailable, but more details may be had via +420 234 250 250, office@uni-global.eu or <http://uni-global.eu/en/event/2010-89>.

Calgary Microcredit Conference

September 11, 2010, Calgary, Canada
Held by Rotary International, a community service club network, and Canadian charity Uend, the fee to attend is CAD 75 or, for students, CAD 30. Details may be had via ksapichka@tritonenergy.ca, <http://calgarymicrocreditconference.com/> or +1 403 532 6711.

Global Youth Enterprise & Livelihoods Development Conference

September 15 - September 16, 2010, Washington, DC, USA
Registration for this Making Cents International event costs USD 595, with discounts available for presenters. More details are available from Whitney Harrelson at whitney@makingcents.com, +1 202 783 4090 or via <http://www.youthenterpriseconference.org/>.

Take Action! Impact Investing Conference

September 15 - September 16, 2010, Washington, DC, USA
This conference offers insight from asset managers and others involved in impact investing. You may request an invitation via http://www.takeactionforimpact.com/?/conference_2010/register or make inquiries of Georgette Wong via +1 650 759 4769 or georgette@correlationconsulting.com. The fee to attend is USD 1,995 for investors or USD 2,495 for advisors.

Second IAMTN Money Transfers Conference

September 21, 2010, Singapore
Delegates from money transfer companies, financial institutions, regional regulators and others will discuss remittance issues. The registration fee is GBP 750, with discounts available for IAMTN members and for multiple attendees from the same organization. For more information, you may contact Girts Lics via +44 203 291 2634, girts.licis@iamtn.org or <http://www.mts2010.iamtn.org>.

Microinsurance Summit London 2010

September 29 - September 30, 2010, London, UK
Topics will include technology, financial viability, innovative products, process engineering, partnerships and index-related insurance policies. Registration fees vary from GBP 850 to GBP 1399 with a discount for MicroCapital readers (using the code "20% MicroCapital"). An add-on workshop is available on October 1. More information is available via +44 20 7878 6886, enquiries@c5-online.com or <http://www.c5-online.com/microinsuranceUK/>.

Social Capital Markets (SOCAP10)

October 4 - October 6, 2010, San Francisco, USA
The purpose of SOCAP10 is to discuss ways to "bring socially responsible investing and the channeling of capital to small and medium-sized enterprises (SMEs) and grassroots business organizations into the mainstream." The registration fee is USD 1,195 for individuals and USD 1,395 for corporate registrants. No phone number is available, but details may be found via <http://www.socialcapitalmarkets.net> or info@socialcapitalmarkets.net.

Fifth Annual Azerbaijan Microfinance Conference

October 5 - October 6, 2010, Baku, Azerbaijan
The conference will cover governance strategy, risk management, client protection, innovative products and will offer opportunities to access investors. The registration fee is AZN 200 for Azerbaijan Micro-finance Association members, AZN 350 for domestic non-members and USD 350 for international delegates. More information is available via <http://www.amfaconference.com>, amfa@amfa.az or +994 12 437 16 45.

Global Microfinance Investment Summit, London, UK

October 6 - October 7, 2010, London, UK
The event covers strategies to increase growth, meet social objectives and increase return on investment. The registration fee ranges from GBP 1,199 to GBP 1,499 with an add-on workshop available for GBP 399. More information is available via +44 20 7878 6888, registrations@c5-online.com or <http://microfinancesummit.com/>.

XIII Inter-American Forum on Microenterprise (Foromic)

October 6 - October 8, 2010, Montevideo, Uruguay
Foromic will provide a platform for all stakeholders in the microfinance and microenterprise development industry to exchange best practices, methodologies, and strategies to promote and support the microenterprise sector. The fee to attend this popular event is USD 550. More information is available via <http://foromic.org/>, +1 202 623 1000 or foromic@iadb.org.

MORE DETAILS COMING SOON ON...

MicroInsurance Congress 2010

October 12 - October 14, 2010, London, UK

2010 Asia Microfinance Forum

October 12 - October 15, 2010, Colombo, Sri Lanka

Microfinance Impact and Innovation Conference

October 21 - October 23, 2010, New York, USA

Investment & Innovation in Microfinance

October 26 - October 27, 2010, Washington, DC, USA

2010 SEEP Annual Conference: Reflecting on 25 Years of Milestones in Microenterprise Development

November 1 - November 5, 2010, Washington, DC, USA

Sixth Annual MicroInsurance Conference

November 9 - November 11, 2010, Manila, Philippines

Triple Bottom Line Investments Conference Europe

November 11 - November 12, 2010, London, UK

Global Microfinance India Summit 2010

November 15 - November 16, 2010, New Delhi, India

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PAPER WRAP-UPS

Microfinance Programs and Better Health: Prospects for Sub-Saharan Africa

By Paul M. Pronyk, James R. Hargreaves and Jonathan Morduch; published by the Journal of the American Medical Association; Volume 298; Number 16; October 2007; available at: <http://jama.ama-assn.org/cgi/reprint/298/16/1925.pdf>

This paper examines evidence on the potential for microfinance to contribute to achieving the UN's Millennium Development Goals, with specific focus on improvements in health and the challenges and opportunities for expanding such outcomes in Sub-Saharan Africa.

It is argued that microfinance institutions (MFIs) have the potential to reduce poverty directly, while simultaneously producing wider benefits such as improvements in health. At the most basic level, access to reliable ways to borrow and save can make it easier to pay for medicines and clinic visits. Increased and steadier income also makes it easier to feed one's family everyday; better nutrition, in turn, leads to better health.

Several microfinance programs have recognized the potential connection between economic and health gains and have sought to provide additional health services, health education or health insurance products. A number of studies have demonstrated the positive effects of these programs, which include higher immunization rates, healthier breastfeeding practices and better management of diarrhea. One study from Bangladesh suggests that such programs may lead to a greater use of contraception among those who do not participate in microfinance but live in villages where MFIs operate. Several unnamed programs in Bangladesh have also demonstrated positive effects on nutrition, such as increased upper-arm circumference in children and lower rates of malnutrition among households that make use of microfinance, relative to control groups.

Despite these developments, a number of obstacles to an integrated approach remain. Microfinance institutions are under pressure to be financially sustainable, and offering public health interventions increases costs. Many donors and policy makers argue that microfinance providers should stay focused and pursue efficiency in their operations.

The authors conclude, "Microfinance is just one entry point for linking economic interventions to concrete health and development outcomes, but the track record so far is encouraging. Conceptualization of new models is at a relatively early stage, and the time is right for further innovation and rigorous evaluation."

The State of Iraq's Microfinance Industry

By the Louis Berger Group Incorporated, published by the US Agency for International Development, June 2010, 56 pages, available at: http://www.imfi.org/files/StateOfIMFI_USAID_en.pdf

The authors of this paper report that Iraq's microfinance industry was established in 2003 and is now comprised of 14 microfinance institutions (MFIs). As of April 2010, Iraq's microfinance industry had an outstanding loan portfolio of USD 86 million and served 63,000 active borrowers. Loans are made at an interest rate of 12 to 18 percent, and 15 percent of loans are made to women. The repayment rate on these loans is reportedly 99 percent. Iraq's microfinance industry employs 780 people in 100 offices.

The growth rate for MFIs in Iraq was approximately 31 percent for the year ending in April 2010. Donal Cotter, author of the report's preface and Chief of Party for the US Agency for International Development (AID)-Tijara, reports that his organization is largely responsible for this rapid growth. USAID-Tijara is an economic growth organization with a five-year mandate to promote private sector growth and employment in Iraq.

The authors report that draft regulations to enable NGO MFIs to transform into non-banking financial institutions would promote greater accountability.

Iraq's "post-conflict environment" continues to impede the growth of microfinance in many ways:

- 1) Many people are dependent on public-sector employment and are therefore reluctant to start private, income-generating activities.
- 2) Security and violence are still problems.
- 3) Current laws preclude the many displaced persons in Iraq from borrowing money by requiring borrowers to have lived in the same place for two years.
- 4) The cash-based economy increases the risk of fraud.
- 5) There is a shortage of trained staff.

According to the authors, the US military has played a key role in developing Iraq's microfinance sector. Provincial reconstruction teams, small civil-military units, serve as intermediaries with local MFIs in conflict-prone areas to promote microfinance services.

Iraqi MFIs are planning to expand financial inclusion to poorer people by issuing loans of less than USD 500.

Iraqi MFIs have adopted the "Microfinance Code of Conduct and Ethics," which promotes principles of client protection such as transparent pricing, appropriate collection behavior, ethical staff behavior and privacy of client data.

A Business to Call Her Own: Identifying, Analyzing and Overcoming Constraints to Women's Small Businesses in Latin America and the Caribbean

By Jennifer Powers and Barbara Magnoni, published by the Inter-American Development Bank's Multilateral Investment Fund, April 2010, 100 pages, available at: <http://idbdocs.iadb.org/wesdocs/getDocument.aspx?DOCNUM=35282406>

The authors of this study focus on the differences between male and female entrepreneurs in six countries in Latin America: Guatemala, Nicaragua, Colombia, Bolivia, Mexico and Peru. Specifically, they looked at the barriers that women encounter when they start a business. They also considered access to financial services and the microfinance industry.

According to the authors, barriers that prevent female businesses from growing include feeling too much responsibility to stay at home to manage the household, lack of access to financial services, risk aversion manifested as reluctance to borrow money, social conventions and a lack of education and training. The authors write that the reluctance to borrow is especially prevalent among women in lower income segments.

The authors find that women tend to reinvest their income into their households at a higher rate than men, suggesting that policy interventions to grow women's businesses would not only contribute to the economic growth of their communities through their businesses but also result in increased investment in children and education.

The authors also found that there are differences in how men and women use financial products because of women's propensity to avoid risk. Women sometimes fail to take advantage of opportunities that might allow them to expand their businesses, like moving their business out of their home or hiring full-time employees. Therefore, business expansion loans with lower interest and longer terms should be offered to women because such loans could enable them to graduate their microenterprises to small enterprises, a step that the authors argue has historically been more difficult for women than for men.

Additionally the authors argue that institutions should encourage men to use contractual savings products for education to reduce this burden on women. The authors also propose the introduction of insurance products and business training for women. Lastly, the authors argue that stakeholders should promote target "social conventions and gender-based perceptions of family responsibilities to encourage a more equitable division of responsibilities."

Why Microfinance Take-up Rates Are Low & Why It Matters

By Dean Karlan, Jonathan Morduch and Sendhil Mullainathan; published by Financial Access Initiative; June 2010; 13 pages; available at: http://financialaccess.org/sites/default/files/RFN11_Why_microfinance_takeup_rates_are_low%286-17-10%29.pdf

Data from 13 projects show that take-up rates vary from 2 to 84 percent of eligible individuals. The fact that participation is not complete indicates that microfinance is not for everyone - it is not a panacea. Participation rates also reveal information about customers' interest in particular products and services, which can help practitioners design and price products to best serve clients.

Three different ways to measure take-up rates are considered. The first makes use of population-based aggregate estimates from administrative records of regulators and other government entities. The second uses household surveys. And the third relies on analyses of specific products or services.

Two major points can be made based on the data considered. First, take-up rates measured by controlled analyses were lower (2 percent to 8.7 percent) than those measured by household surveys (38 to 76 percent). The former typically involve one lender only, which may explain the low estimates of take-up, because target individuals may already be borrowing or saving elsewhere. Household surveys, however, are able to capture take-up of a wider variety of products from more lenders.

The second major point is that no clear pattern emerges when comparing take-up rates of credit, savings and insurance products. Nonetheless, take-up of credit products demonstrates the largest variation (2 percent to 84 percent), while rates of take-up of savings products do not exceed 55 percent, and no more than half of households or individuals accepted an insurance product when offered.

The authors then gather data on why individuals choose not to borrow. While self-reported data cannot be taken entirely at face value, several important points are conveyed. First, the most common self-reported reason for avoiding borrowing is a fear of debt. Second, high interest rates are cited by up to 13 percent of respondents. Third, the design of loan products is a critical factor in take-up. Many respondents never participated in a microfinance scheme because they could not find an appropriate loan product. Expanding financial access therefore requires studying, testing and evaluating better products.

Microfinance Funders Profiles – A Short Guide for Young and Small Institutions Still Looking for a Match

By Adrian Gonzalez, published by the Microfinance Information Exchange (MIX), June 2010, 9 pages available at: <http://www.themix.org/publications/microfinance-funders-profiles>

The paper covers funding sources for microfinance institutions (MFIs) in the lowest quartile in terms of size, age, profitability and portfolio quality.

The report concludes that these MFIs are most likely to receive funds from local organizations "who are closest to the MFIs and thus have the best knowledge about them." The report also notes that "small improvements in size, age, or profitability quickly increase the pool of potential funds."

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State of Microfinance Investment: The MicroRate 2010 Microfinance Investment Vehicle Survey

Published by MicroRate, July 2010, 12 pages, available at <http://microrate.com/wp-content/uploads/2010/07/The-MicroRate-2010-MIV-Survey-Report.pdf>

Despite the global downturn, this survey indicates that investor interest in microfinance investment vehicles (MIVs) remains strong, although demand for funding from microfinance institutions (MFIs) has weakened. In 2009, MIVs grew by 22 percent, but assets actually deployed to MFIs grew only 11 percent. This leaves MIVs with rapidly increasing levels of liquidity. By the end of last year, competition forced rates below the minimum level that some MIVs deem necessary in order to be compensated fully for the risk involved.

In 2009, investment in Latin America and the Caribbean (37 percent of microfinance assets) surpassed that in Eastern Europe and Central Asia (35 percent), giving it a larger share of MIV investment than any other region. The share of investment in South Asia remained constant in 2009 at 9 percent. East Asia and the Pacific showed the highest growth (124 percent), but the region still only represented 7 percent of microfinance assets. Sub-Saharan African investment, with 6 percent of microfinance assets, also grew at an impressive rate of 45 percent during 2009. 📈



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