

## MICROCAPITAL BRIEFS | TOP STORIES

### Bill & Melinda Gates Foundation Pledges \$500m to Expand Microsavings

The Bill & Melinda Gates Foundation of the US has pledged USD 500 million over five years to build a “new financial infrastructure” to bring savings services to the poor. The pledge includes the following grants: USD 11.4 million to the World Bank to generate baseline data on financial inclusion in 150 countries via a Gallup poll; USD 10 million to ShoreBank International to work with BRAC Bank to build “bKash,” a scalable mobile money platform that will allow Bangladeshis to store, transfer and receive money via mobile phones; USD 7 million to Yale University and Innovations for Poverty Action to launch approximately 20 studies on savings and money-transfer outreach; USD 6 million to CGAP (Consultative Group to Assist the Poor) to promote the use of branchless banking; USD 4.8 million to Vodacom Tanzania Limited to increase usage of the mobile money service M-PESA in Tanzania; and USD 600,000 to the World Savings Bank Institute to identify viable projects for offering savings through 10 of its member banks. December 10, 2010

### Guarantee Fund for Credit Unions Launched in Guatemala

The US-based World Council of Credit Unions and the Federacion Nacional de Cooperativas de Ahorro y Credito (FENACOAC), an association of 27 credit unions and cooperatives in Guatemala, have partnered to launch Mi Cooperativa (MICOOPE) Savings Guarantee Fund, a deposit-insurance institution offering USD 12,500 of deposit insurance per person per institution, five times more than is reportedly offered by commercial banks. FENACOAC member institutions, which together hold savings of USD 365 million, capitalized the fund at USD 5.5 million, with a goal of raising the pool to 3 percent of total deposits by 2015. December 10, 2010

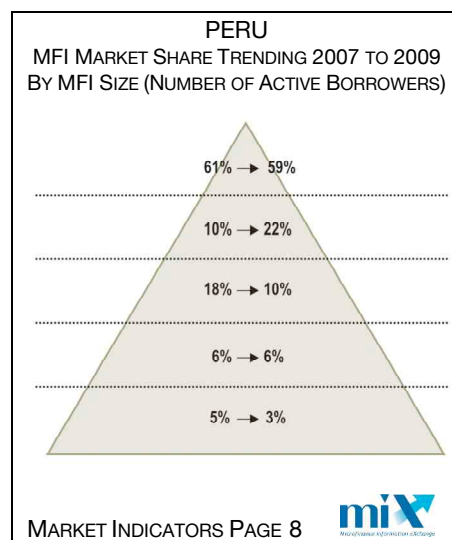
### Pain Spreads: Bank Stocks Fall in India, MFIs in West Bengal Face Cash Shortage

Recent analyses by Citi, a US-based international financial services conglomerate, indicate that banks in India are experiencing stress on their stock prices due to the falling quality of their microfinance institution (MFI) holdings, mainly due to the recent trouble in the state of Andhra Pradesh that followed a series of suicides that were said to be linked to debt collector harassment. (For background, please see our special coverage in the November issue of this newspaper.) Citi estimates that banks’ profits could drop by 50 percent depending on their exposure to the microfinance sector. In the case of YES Bank, shares fell a total of 10 percent in three recent trading sessions. The poison is also spreading beyond Andhra Pradesh, with MFIs in the state of West Bengal reportedly facing a cash crunch. Those that rely on loans from banks are said to have cut loan disbursements by up to 50 percent. CEO Kuldip Maity of Village Financial Services was quoted as saying, “If the situation continues like this, the entire MFI system will collapse.” November 26 and December 2, 2010

### Bangladesh to Limit Fees, Cap Rates at 27%

Bangladesh’s Microcredit Regulatory Authority (MRA) has enacted a new regulation capping microloan rates at 27 percent per year as of July 2011. In 2009, MRA temporarily fixed interest rates at a 15 percent flat rate or a 30 percent effective rate. MRA has also asked lenders to embrace the declining-balance method of calculating rates in lieu of flat rates, which accrue regardless of payments made against principal. In addition, the new regulation will limit administration fees to unspecified levels, impose a 15-day grace period for repayments and ban “unofficial deductions” by lenders that are sometimes characterized as mandatory savings. Director Mosharraf Hossain of the nonprofit Credit Development Forum of Bangladesh reportedly opposes the rate cap, arguing that it is expensive to lend to clients in remote areas after borrowing from private banks. November 18, 2010

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## MICROCAPITAL BRIEFS

### Andhra Pradesh Revising Microfinance Regulation

The government of the Indian state of Andhra Pradesh is reportedly considering new legislation to refine the ordinance it passed in October. Among other stipulations, the ordinance prohibits microfinance institutions (MFIs) from requiring collateral on new loans, repossessing collateral on past-due loans or charging accrued interest totaling more than the principal amount of the loan. It would also require all MFIs to register in each of the villages in which they operate, disclosing their interest rates, system of conducting due diligence and names of debt collectors. It also prohibits borrowers from belonging to more than one savings group and MFIs from lending to groups that already have outstanding loans. Since September, collection rates have reportedly dropped from 95 percent to 20 percent. December 16, 2010

### ADB Invests \$10m in Shorecap II

The Asian Development Bank has announced that it will make an equity investment of USD 10 million in Shorecap II Fund, a private equity fund managed by Equator Capital Partners. With a target of raising USD 75 million, Shorecap II intends to purchase minority stakes in small financial institutions in Africa and Asia that focus on under-served populations. December 16, 2010

### Naymet Hires AlHuda CIBE to Assist with Islamic Finance

AlHuda Centre of Islamic Banking and Economics, an organization that promotes Islamic banking and finance through research and advisory services, recently was contracted by Naziran Yousaf Memorial Trust Islamic Microfinance, a Pakistani nonprofit, to provide services relating to product development, accounting, auditing and staff training relating to compliance with Shariah law. December 16, 2010

### EFSE Loans \$26m to ProCredit Banks in Romania, Moldova

The European Fund for Southeast Europe, a microfinance investment vehicle advised by Finance in Motion and managed by Oppenheim Asset Management Services, has provided a loan of USD 19.7 million to ProCredit Bank Romania and a synthetic, local-currency loan equivalent to USD 7 million to ProCredit Bank Moldova. Both banks are among the 21 controlled by Germany's ProCredit Holding in Eastern Europe, Latin America and Africa that hold aggregate assets equivalent to USD 6 billion and an aggregate gross loan portfolio of USD 4 billion. December 16, 2010

### Branchless Banking Ed Program to Reach Ghana, Zambia

Mobile payment service providers MTN Ghana Mobile Money and Mobile Transactions of Zambia have partnered with the Consumer Education for Branchless Banking program of Microfinance Opportunities, a US-based resource center, to develop and test financial education models to support the adoption of mobile phone and card-based financial services by low-income people. December 16, 2010

### MasterCard, UNCDF Back YouthStart Savings Effort in Africa

In association with the UN Capital Development Fund, the MasterCard Foundation of Canada has contributed USD 12 million to YouthStart, a program that will support pilot efforts of 12 financial institutions to increase access to savings and other financial services for low-income youth in sub-Saharan Africa. December 15, 2010

### Muhammad Yunus Cleared of Allegations of Improper Transfer

Nobel Peace Prize winner Dr Muhammad Yunus, founder of Grameen Bank, has been cleared by the Norwegian Ministry of Affairs of allegations of improperly "siphoning" the equivalent of USD 100 million from Grameen Bank to its affiliated health insurer Grameen Kalyan. It was concluded that Grameen Bank was trying legally to minimize taxes due on the funds, which were loaned back to Grameen Bank for their intended purpose at an interest rate of 2 percent. A total of USD 6 million in interest payments were reportedly retained by Grameen Kalyan. The accusation of impropriety was lodged in a Norwegian documentary, "Fanget i Mikrogjeld" ("Caught in Micro Debt"), that premiered in November 2010. December 3 and December 14, 2010

### responsAbility Disburses \$4.5m in the Philippines, Cambodia

responsAbility Social Investments AG of Switzerland recently reported to MicroCapital that it made five investments totaling USD 4.5 million in three microfinance institutions (MFIs) in Asia from its Global Microfinance Fund and Microfinance Leaders Fund. Local-currency loans totaling the equivalent of USD 2.2 million were disbursed to Taytay Sa Kauswagan Incorporated, a Philippine development organization reporting 161,000 active borrowers, a gross loan portfolio (GLP) of USD 20 million, return on equity (ROE) of 16.79 percent and return on assets (ROA) of 2.17 percent. USD 2 million was loaned to PRASAC MFI Limited of Cambodia, which reports 88,000 active borrowers, GLP of USD 64.4 million, ROA of 3.63 percent and ROE of 11.51 percent. The local-currency equivalent of USD 196,000 was borrowed by Chamroeun Microfinance, a Cambodian MFI with a GLP of USD 679,000. December 14, 2010

### 350 MFIs Apply to MIX Social Performance Awards

Microfinance Information Exchange (MIX) reports that the number of applications to its Social Performance Reporting Awards, which acknowledge openness in reporting, has grown to 350 microfinance institutions this year, up from 200 submitted in 2009. The awards recognize institutions that submit social performance data and obtain an external audit of their tracking methods. December 13, 2010

## CORRECTIONS

A brief in the November issue of this newspaper gave incorrect financial data on Proempresa of Peru; as of October 2010, the microlender's return on equity was 7.56 percent, and its return on assets was 1.33 percent. A separate brief in the same issue incorrectly identified the Nigerian microbank that received a loan from the Dexia Microcredit Fund; the correct name of the institution is AB Microfinance Bank.

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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!*

### **Even Chimpanzees Benefit from Microfinance in Tanzania**

While statistics are thin, the TaCare Program, a microcredit effort founded by the Jane Goodall Institute to serve the region surrounding Gombe National Park in Tanzania, reports success in preserving wildlife and forests and improving living conditions in 33 poor Tanzanian villages. Participants use loans to benefit nature while also making a profit, such as by planting tree nurseries and selling seedlings. Primatologist Jane Goodall was quoted as saying, “two years ago I sat looking out behind Gombe over hills that were totally bare; and now...it was all green and I was crying because it had worked.” The program also includes water and sanitation efforts, HIV education programs and the installation of fuel-efficient stoves. December 13. 2010

### **responsAbility Loans \$6m in Georgia, Kyrgyz Republic**

responsAbility Social Investments AG, an investment company based in Switzerland, recently reported to MicroCapital that it disbursed loans totaling USD 6 million to three microfinance institutions in Central Asia. From its Microfinance Leaders Fund, Global Microfinance Fund and Mikrofinanz-Fonds, loans were made in the aggregate amounts of USD 3 million to Limited Liability Company Microfinance Organization Credo of Georgia, which reports total assets of USD 25.4 million, return on assets of 3.11 percent and 22,900 borrowers; USD 1.55 million to Kompanion Financial Group Microfinance Closed Joint Stock Company (JSC) of the Kyrgyz Republic, which reports assets of USD 41.1 million and 99,400 active borrowers; and USD 1.5 million to JSC Bank Constanta of Georgia, which reports assets of USD 39 million and 11,400 borrowers. December 13. 2010

### **Muthoot Fincorp, ACCION Partner in India**

Muthoot Fincorp, a finance company offering gold loans, insurance and other financial services in India, has secured an agreement with ACCION International, a US-based nonprofit with affiliated microfinance institutions (MFIs) in 23 countries, to provide entrepreneurship training for its female microborrowers. Executive Director Tomas Muthoot was quoted as saying, “We see a big opportunity in the MFI sector. In November alone, we added 8,095 customers, taking our total customer base across Kerala, Karnataka and Tamil Nadu to 28,219.” Financial information on Muthoot Fincorp is not available. December 13. 2010

### **World Microfinance Forum Geneva Hosts Governance Debate**

When World Microfinance Forum Geneva (WMFG) recently hosted a debate on corporate governance in microfinance, participants offered a wide range of opinions on the applicability to microfinance of general governance principles from the financial industry. As a follow-up to these debates, in which it was agreed that governance can have a significant effect on investment, WMFG will launch in March 2011 an online “Governance Platform,” to which members of the public will be able to give their endorsement and suggestions. December 13. 2010

### **MFC Implementing Financial Education in Poland, Uzbekistan**

The Microfinance Center for Central and Eastern Europe and the New Independent States (MFC), a network of approximately 100 microfinance institutions, has introduced a debt management training module for low-income families in Poland based on materials developed by US nonprofits Microfinance Opportunities and Freedom from Hunger. The module so far has been presented to 600 low-income households, with a goal of reaching 2,000 in the coming year. MFC is also working on a Financial Education Program for poor people in Uzbekistan, which aims to increase local capacity to spread financial literacy, adapt financial literacy tools to the local market and develop a national strategy to increase financial literacy. MFC plans to disseminate results of this effort, which was funded by the European Commission, at a conference in May 2011. December 13. 2010

### **Thailand Post Offices to Offer Microloans**

The government of Thailand recently agreed to allow Thailand Post to set up a subsidiary that will offer microloans as small as the equivalent of USD 330 from its network of 1,200 branches. Interest rates remain undisclosed, but are slated to be lower than those offered by commercial banks. The effort will initially be capitalized with a total of USD 1.6 million from Thailand Post's own profits and loans from the Government Savings Bank. December 13. 2010

### **IFMR Mezzanine Provides \$221k in Subordinated Debt to Saija**

The Institute for Financial Management Research (IFMR) Mezzanine Finance Private Limited, a microfinance investment arm of nonprofit IFMR, has issued an unsecured, subordinated loan equivalent to USD 221,000 to Saija Finance Private Limited, a non-banking finance company providing microfinance services in northern India. The debt is characterized as “quasi equity,” meaning that IFMR Mezzanine will be among the last to be repaid if Saija fails. The investment will generate quarterly interest payments with full principal repayment due in 7.5 years. Founded in April 2008, Saija reports 2,860 borrowers and total assets equivalent to USD 240,000. December 13. 2010

### **Azerbaijan's Postal Operator to Offer Microcredit in 2011**

Azerpocht Limited, the national postal operator of Azerbaijan, recently announced that it will begin offering microloans ranging from the equivalent of USD 375 to USD 6,248. Through its 75 branches, Azerpocht currently provides services such as debit cards, currency exchange and a variety of savings products. December 13. 2010

### **responsAbility Loans \$5m in Colombia, Ecuador, Mexico, Peru**

responsAbility Social Investments AG of Switzerland recently reported to MicroCapital that it made local-currency loans to the following microfinance institutions (MFI) in Latin America from its Microfinance Leaders Fund, Global Microfinance Fund and Mikrofinanz-Fonds: the equivalent of USD 987,000 to Corporacion Narino Empresa y Futuro (Contactar), a Colombian MFI with a gross loan portfolio (GLP) of USD 14.7 million; a total of USD 1 million to Fondo de Desarrollo Microempresarial (FODEMI), an MFI in Ecuador reporting GLP of USD 11.3 million; USD 1.3 million to the Mexican affiliate of FINCA International, Fundacion Integral Comunitaria AC, which reports GLP of USD 29.8 million; and USD 2 million in Edpyme Raiz, a Peruvian MFI reporting total assets of USD 129 million. December 13. 2010

### **Microinsurance Conference Proceedings Published**

The proceedings of the Sixth International Microinsurance Conference, which took place in Manila in November, have been published by its organizers, the Munich Re Foundation and the Microinsurance Network, a promoter of microinsurance product development. Among the findings are that the rate of microinsurance adoption is highly sensitive to price and that weather-index insurance should be based on multiple data sources, including local knowledge. Details are available at: [http://www.munichre-foundation.org/NR/rdonlyres/1F14880F-A1E2-4546-8A53-A52022551F08/0/MIC2010\\_Summaries.pdf](http://www.munichre-foundation.org/NR/rdonlyres/1F14880F-A1E2-4546-8A53-A52022551F08/0/MIC2010_Summaries.pdf). December 11. 2010

### **responsAbility Loans \$2.7m in Albania, Russia**

responsAbility Social Investments AG of Switzerland recently reported that it has made local-currency loans from funds it manages to microfinance institutions Opportunity Albania and FINCA Russia, both of which are affiliates of US-based microfinance networks. Opportunity Albania, with USD 55.6 million in assets, 16,000 active borrowers, return on assets of 0.02 percent and return on equity of 0.12 percent, borrowed a total equivalent to USD 1.3 million. FINCA Russia, with USD 24 million in assets, 8,560 active borrowers, return on assets of -4.28 percent and return on equity of -28.57 percent, borrowed a total of USD 1.47 million. December 10. 2010



### Aga Khan to Expand Insurance Offerings in Tanzania

The Aga Khan Agency for Microfinance, a nonprofit development agency based in Switzerland, is planning to expand its insurance offerings to poor people through its First Microinsurance Agency Tanzania. In addition to health insurance, which it has offered since 2009, it aims to provide coverage for loans and stored agricultural goods to 300,000 families by 2015. December 10, 2010

### Kenyan Insurer Facilitates Mobile Phone Premium Payments

Cooperative Insurance Company of Kenya Limited (CIC) has announced the launch of M-Bima, a mobile-phone-based premium payment system. CIC has an agreement in place to accept payments of as little as the equivalent of USD 0.25 via the M-Pesa money transfer service and reportedly plans to link to other platforms such as u-Cash and Airtel's Zap/Airtel Money. Nelson Kuria, Managing Director of CIC, commented that the program is targeted at small and medium-sized enterprises. December 7, 2010

### YouthSave Launches Website

The YouthSave Project, a Canada-based consortium of youth- and microfinance-focused NGOs, has launched a website that will feature its own research, as well as broader information on savings services for youth around the globe. December 6, 2010

### Citibank Launches "Financial Capability" Website

Global financial firm Citibank has launched a website, <http://financialcapability.citi.com>, that is intended for practitioners and researchers working in financial literacy, economic behavior change, financial inclusion and asset building. December 6, 2010

### Wokai Reports \$374k Raised for Microfinance in China

Wokai, a US-based nonprofit that raises money to support microfinance institutions in China, reports that since its launch in 2007, it has gathered USD 374,000 from 6,700 contributors for on-lending to 490 borrowers via the Association for Rural Development of Yilong Country in Sichuan and Chifeng Zhaowuda Women's Sustainable Development Association of Inner Mongolia. Wokai is hoping to increase its lending to USD 1 million by year-end 2011 through its website and volunteer marketing chapters in nine cities in China and North America. December 6, 2010

### Russian Microfinance Center, Citi Open Award Nominations

The Russian Microfinance Center, a trade association of Russian microlenders, and Citi Foundation, the charitable arm of global financial services provider Citi, have announced the opening of nominations for the sixth annual Citi Microentrepreneurship Awards, which will highlight exemplary microentrepreneurs and microfinance service providers at an award ceremony to be held in Moscow in February 2011. December 6, 2010



### Swiss Re, Vietnam Agribank to Insure Microloans

Swiss Re, a global reinsurer based in Zurich, recently announced the launch of an index-based insurance partnership with Vietnam Agribank Insurance Joint Stock Company (ABIC), the insurance arm of Vietnam's Agribank. ABIC will insure Agribank's microloans to rice farmers in 10 provinces with payouts defined by an "area-yield index" based on weather data from the Vietnam's Bureau of Statistics. In turn, ABIC will transfer this risk to Swiss Re and the Vietnam National Reinsurance Corporation. As of 2009, Agribank had 2,300 outlets and total assets equivalent to USD 24.1 billion. Agribank subsidiaries, including ABIC, report insuring USD 255 million in goods and services since 2007. December 6, 2010

### Pakistan Increases Capital Requirements for Microbanks

The State Bank of Pakistan has increased the minimum capital requirements for microfinance banks in Pakistan in an effort to ensure that they remain sound over the long term. The minimum capital requirements for district banks have been raised from the equivalent of USD 1.1 million to USD 3.5 million, for regional banks from USD 1.7 million to USD 4.6 million, for provincial banks from USD 2.9 million to USD 5.8 million and for national banks from USD 5.8 million to USD 11 million. The new requirements will be phased in over as much as three years, depending on the institution's geographic coverage. The regulations are part of a recently announced strategic plan for the period ending 2015 that also strengthens the internal risk controls of microfinance institutions. November 17 and December 3, 2010

### IFC's SME Toolkit Customized for Mexico

The World Bank Group's International Finance Corporation; the Confederación de Cámaras Industriales de los Estados Unidos Mexicanos, a group of organizations intended to promote the development of Mexico's manufacturers and entrepreneurs; and the Instituto Tecnológico y de Estudios Superiores de Monterrey, a Mexican university, have partnered to launch the SME Toolkit Integrapyme, a localized edition of a web-based toolkit that has been used since 2006 to assist managers of small and medium-sized enterprises with business plan preparation; market information; and legal, accounting and finance services. The SME Toolkit is now available in 17 languages, in 32 markets. December 2, 2010

### Harbu of Ethiopia Receives European Microfinance Award

Harbu Microfinance Institution Share Company, which serves soybean farmers in Ethiopia with total assets of USD 1.3 million, was recently presented the third annual "European Microfinance Award," including a cash prize equivalent to USD 131,000, by the Luxembourg Round Table on Microfinance, a government organization established to catalyze interactions between microfinance institutions in developing countries and financial institutions in Luxembourg. December 2, 2010



**BBVA Continental to Acquire Peru's Financiera Confianza**

BBVA Continental, a subsidiary of multinational bank BBVA of Spain, is reportedly on the cusp of closing on the purchase of Financiera Confianza, a Peruvian microfinance institution that was founded in 1992 and reports assets of USD 147 million, a gross loan portfolio of USD 114 million, 73,000 active borrowers, return on assets of 0.38 percent and return on equity of 2.26 percent. Pricing has not been disclosed. December 2. 2010

**University Commission for Development Offers Scholarships**

The University Commission for Development, a group of nine French-speaking universities in Belgium, has announced the availability of 220 scholarships for students from developing countries to attend training courses and academic programs during the 2011 academic year. Twelve of these are available to matriculate in a European Masters in Microfinance program. December 2. 2010

**MIX Quantifies Impact of Emergent Regulation in India**

Microfinance Information Exchange (MIX), a US-based nonprofit that offers data and analysis on microfinance players, recently examined data dating back to 2003 from 100 microfinance institutions (MFIs) in India to assess the hypothetical impact of capping interest rates at 24 percent and return on assets at 3 percent, two limits effectively imposed by the state government on MFIs amidst the ongoing microfinance crisis in the Indian state of Andhra Pradesh. MIX estimates that 10 million fewer loans would have been disbursed since 2003 and that many small MFIs would have been forced to shut down. Leverage ratios of the remaining MFIs would be higher, indicating a less stable industry. Returns for MFIs would also be low across the board, with half of surviving lenders losing money each year. December 2. 2010

**Sanabel Named "Network of the Year" by SEEP**

Sanabel, a network of 64 microfinance institutions in Arab countries, was recently recognized for its human resources work as "Network of the Year" by the US-based Small Enterprise Education and Promotion Network. December 1. 2010

**Development Banks (Still) Struggle to Reach Very Poor People**

The Evaluation Cooperation Group, a network of evaluators of multilateral development banks, has published a report that indicates these institutions' microfinance operations have difficulty in reaching very poor borrowers. According to the report, the shift to a commercialized model of microfinance is redirecting the focus of microlenders away from serving the very poor in favor of larger, more profitable loans. There is also concern that aggressive marketing of microfinance is pushing poor borrowers to take high-cost or multiple loans. The authors recommend "graduation programs" to reach very poor people through non-loan aid and training before integrating them into microfinance programs. November 30. 2010

**CGAP Grants ESG Transparency Certificates to 26 MIVs**

CGAP (Consultative Group to Assist the Poor), a policy and research center dedicated to enhancing financial access for the world's poor, has announced its granting of "Transparency Certificates" to the following microfinance investment vehicles (MIVs) and MIV managers for compliance with its environmental, social and governance (ESG) guidelines: Alterfin, Bellwether, BlueOrchard, EMF Microfinance Fund, European Fund for Southeast Europe, FINCA International, Finethic, Incofin, Indian Financial Inclusion Fund, Microfinance Enhancement Facility, Oikocredit, PlaNet Microfund, responsAbility, SNS Asset Management, Triodos, Triple Jump, Vision Microfinance and Wallberg. CGAP's ESG guidelines were outlined in the November issue of this newspaper. November 30. 2010

**EBRD Loans \$65m to Bank St Petersburg, \$4m to fondiBESA**

The European Bank for Reconstruction and Development (EBRD), a development finance institution headquartered in London, has loaned Bank Saint Petersburg, a commercial bank in Russia, USD 65 million to fund its small-business lending program. As of June 2010, Bank Saint Petersburg reported total assets equivalent to USD 7.6 billion and a gross loan portfolio of USD 5 billion. EBRD also loaned the euro-equivalent of USD 3.9 million to Albania's fondiBESA, which reports total assets of USD 43.8 million. November 30. 2010

**EFSE Loans \$76m to Bank of Georgia, BKT of Albania**

European Fund for Southeast Europe, a microfinance investment vehicle advised by Finance in Motion and managed by Oppenheim Asset Management Services, has provided loans of USD 50 million to the commercial Bank of Georgia and the euro-equivalent of USD 26.2 million to Banka Kombëtare Tregtare (BKT), a commercial bank in Albania, to expand lending for housing and for micro- and small enterprises. With operations in Georgia, Ukraine and Belarus, Bank of Georgia reports 1.1 million customers, total assets of USD 2 billion and a gross loan portfolio of USD 1.2 billion. With 12 branches, BKT reports total assets of USD 1.34 billion, a gross loan portfolio of USD 539 million, return on equity of 27.7 percent and return on assets of 1.93 percent. November 29. 2010

**Islamic Lending Dominated by Microfinance In Indonesia**

With Bank Indonesia, Indonesia's central bank, estimating that 70 percent of Shariah loan volume is disbursed as microloans, commercial banks are beginning to take notice. For example, PT Bank Syariah Mandiri, which has 956 branches and reports total assets equivalent to USD 35.1 billion, plans to open new branches in Jakarta and Sumatra specifically to offer microfinance services. As of September 2010, Bank Indonesia reports that outstanding Shariah microloans in the country total USD 4.6 billion. November 29. 2010

**India's SHARE Microfin Officially Delays IPO**

SHARE Microfin Limited, a non-banking financial company in India, has officially put an indefinite hold on its planned initial public offering due to the default epidemic and tightening of government regulations in the Indian state of Andhra Pradesh. The offering had been scheduled to raise the rupee-equivalent of USD 218 million in early 2011. As of March 2010, SHARE Microfin reported assets of USD 577 million, a gross loan portfolio of USD 490 million, 990 branches, 2.3 million active borrowers, return on assets of 5.5 percent and return on equity of 45.18 percent. SHARE will also postpone a merger with another unnamed microlender. The October issue of this newspaper included a report that SHARE Microfin was mulling a merger with India's Asmitha Microfin Limited, which reports assets of USD 389 million. November 29. 2010

**SKS Under Investigation for Violating Insurance Norms in India**

India's Insurance Regulatory and Development Authority is reported to be investigating SKS Microfinance, a publicly traded microfinance institution in India, for collecting commissions higher than the permitted 10 percent for agents selling insurance policies and for violating unspecified norms for writing death claims cheques. As of March 2010, SKS reported total assets of USD 897 million and 5.79 million active borrowers. November 26. 2010

**Compartamos Restructures, Eyeing International Expansion**

Publicly traded Mexican microfinance bank Compartamos Banco recently announced plans to transfer its shares into newly created holding company Compartamos SAB through an exchange offer intended to give it greater flexibility to expand. Reports have surfaced of plans to enter Guatemala and other countries. November 24. 2010

### REGMIFA Invests \$13m in African MFIs

The Regional MSME Investment Fund for Sub-Saharan Africa (REGMIFA), a Luxembourg-based fund that invests in micro-, small and medium-sized enterprises (MSMEs) in Africa, has announced investments totaling USD 13.5 million in microfinance institutions Sinapi Aba Trust of Ghana, First Allied Savings and Loans of Ghana, Kenya Women Finance Trust, Faulu Kenya, FINCA Tanzania and Programme d'Appui aux Mutuelles d'Epargne et de Credit au Senegal. To issue the loans in local currencies, REGMIFA partnered with The Currency Exchange Fund, a Dutch provider of currency-hedging products. November 24. 2010

### Grameen Foundation Expands Mifos Software to Cloud

Grameen Foundation, a US-based nonprofit, has launched a hosted version of its Mifos management information system, Mifos Cloud, that is available for a fee to microfinance institutions (MFIs) in India. Unlike Mifos Cloud that runs off-site, a version of the software that MFIs can run on their own hardware has been available at no charge since 2006. November 24. 2010

### Finance Minister Not Out to "Strangulate" Indian Microfinance

Finance Minister Pranab Mukherjee of India recently asserted that the government is not trying to suffocate microfinance institutions with new regulation: "My idea is not to strangle them, but to regulate them so that the interest that they charge is not exorbitant." The comments came as the government of Andhra Pradesh was preparing the Microfinance Institutions (Regulation of Money Lending) Ordinance to rein in the abusive practices of some lenders. November 23. 2010

### Indian State of Karnataka to Spend \$110m on MFI Launch

The Indian state of Karnataka recently announced plans to start a state-run microfinance institution with an investment equivalent to USD 110 million. The agency will reportedly lend at an interest rate of 4 percent per annum and will mainly target workers in the unorganized sector and self-help groups. November 23. 2010

### State-owned Bank Ups Lending to SHGs in Andhra Pradesh

The government-owned Union Bank of India has launched a new microfinance scheme in the state of Andhra Pradesh to support self-help groups, small financial intermediaries comprising 10 to 20 women. The scheme will provide loans equivalent to USD 22,000 to 20 municipalities in the state for on-lending to the groups, with the goal of expanding to 100 localities by the end of the fiscal year. November 23. 2010

### Still Recovering from Quake, Haitian MFIs Want Deposit Insurance

Long after the earthquake that battered Haiti in January 2010, microfinance institutions and banks still are struggling, with the percentage of microcredit clients in default or at risk of default reportedly doubling to 18 percent during the year. New government regulation is also expected after requests from lenders that are concerned that their clients' money is not well-protected in case of institutional failure. As of 2009, the six Haitian microlenders reporting to the Microfinance Information Exchange held USD 15.5 million in deposits. Greta Greathouse, of the US Agency for International Development, reportedly argued that microlending has become so important in Haiti that it is now "simply too big to fail." November 22. 2010

### Philippines, India, Indonesia Ripe for Microinsurance

On the cusp of the recent International Microinsurance Conference that was hosted by Germany's Munich Re Foundation and the Luxembourg-based Microinsurance Network, Craig Churchill of the International Labour Organization and the Microinsurance Network argued that the Philippines, India and Indonesia offer the biggest market opportunities for selling insurance to poor people due to the countries' large populations, favorable regulatory frameworks, strong co-operative systems and risks from extreme weather and disasters such as earthquakes and volcanoes. Mr Churchill reportedly claimed that 35 million people in the Philippines alone are willing to pay at least the equivalent of USD 0.46 per week for various types of coverage. November 22. 2010



**KMF active clients - 24 698**  
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## FIELD NOTES

## One-stop Shopping:

## If It Worked for Amazon.com, It Can Work for MFIs

In our line of work, we are blessed with the inspiration that comes from meeting people with incredible courage and drive, who run businesses, support their families and survive against the odds. Last week, I visited Angela Maria, who lives in the outskirts of Medellin, Colombia. She moved here a few years ago to get away from extortionists who had threatened her repeatedly in her old home in a poor and violent part of the city. She and her family packed up and left, fearing for their lives.

With nowhere to turn, she made some juice concentrate and sold it to a nearby store. She paid for the materials with money borrowed from a loan shark, who collected payments with 20 percent monthly interest on a daily basis...or else! When she sold her first products, she expected to make some money; instead, customers demanded their money back. The juice tasted horrible. With nothing left but an angry loan shark, a stained record at the credit bureau from defaulting on her home loan and a bad recipe for juice concentrate, Angela Maria went to a microfinance institution (MFI), Interactuar. Staff there gave her a loan to pay off the loan shark, but also taught her a better recipe for the concentrates. Since then, Interactuar has trained Angela Maria and her employees in food management. It has also provided business advice, had the composition and nutritional information of her products tested in a modern lab and designed new packaging for better distribution. Today, Angela Maria has a small yet vibrant home-based business manufacturing and selling jams, juice concentrates, grains and canned fruits to supermarkets and corner stores. She has three formal employees, as well as herself and her daughter.

Last month in this space, I noted that it's time to rethink the value proposition of MFIs, suggesting that these institutions should

consider offering a wide variety of financial and non-financial services, perhaps for lower margins, to increase their overall income and build client loyalty. I expected quite a bit of resistance, but instead people have been receptive. Several MFIs - like Interactuar - are projecting traditional microfinance business models into new territories. In Guatemala, MFI Genesis Empresarial offers clients training in skills such as manufacturing bath and beauty products, which provide clients with better margins. This is the kind of value-added service that gives Genesis confidence that it can stand the test of time - even as giant Compartamos Banco plans to enter the marketplace from Mexico.

Fifteen years ago, when Amazon.com first came to the US market as an online bookstore, CEO Jeff Bezos explained that he chose the company's unusual name because he foresaw that the company would not be selling just books for long, but instead would grow into an online shopping center with a range of products as vast as the Amazon region. At the time, that seemed like a stretch, but they got me hooked with the books, and today I can buy a television, milk or a party dress on Amazon.com. While offering non-credit services such as business training can be very expensive, without such offerings people like Angela Maria would likely be selling raw fruit on the side of the road. Instead she gave my friends at Interactuar a holiday basket of jams, juices and other goodies worth as much as her first loan to thank them for believing in her. Perhaps one day, she'll be selling her products on Amazon.com.

*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](mailto:bmagnoni@eac-global.com).*



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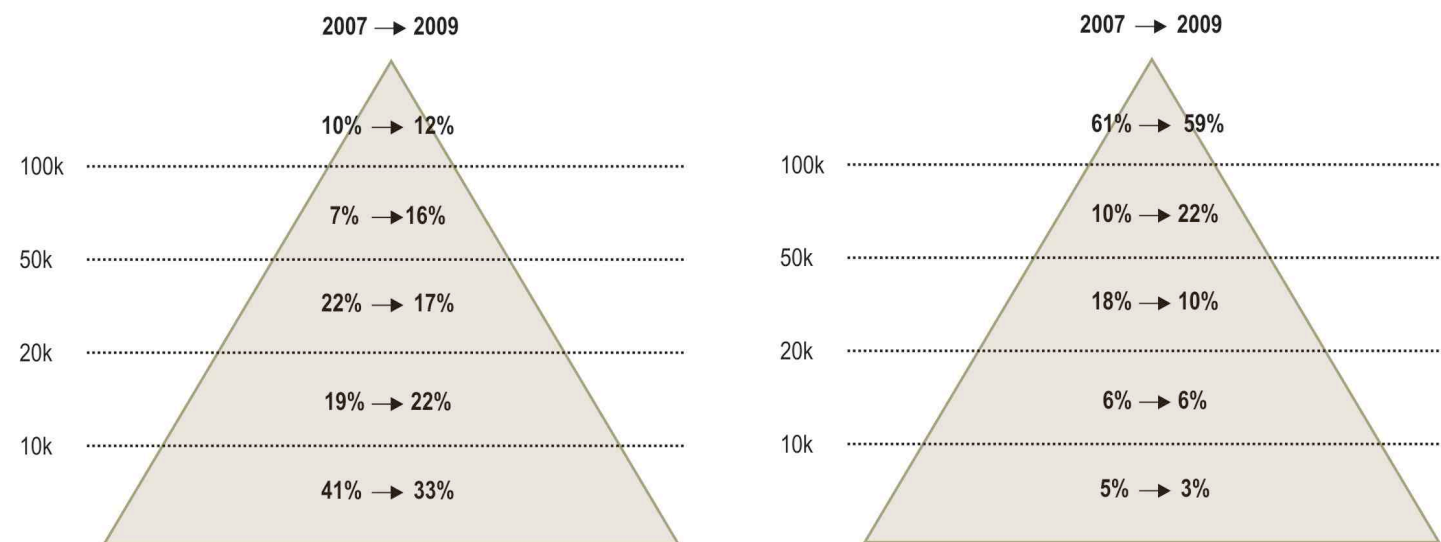
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58 MFIs REPORTING<sup>1</sup>

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

MFIs NAME	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2007	2009
Mibanco	269,997,170	44	500,566,560	1,040,560,900
Crediscotia Financiera	138,296,563	34	344,900,992	621,494,118
Caja Municipal de Ahorro y Crédito - Arequipa	85,093,653	30	250,286,288	420,473,593
CMAC Piura	80,953,604	33	212,715,392	374,622,599
Caja Municipal de Ahorro y Crédito de Trujillo	68,280,754	25	247,839,664	384,401,171
Financiera Edyficar S.A.	60,953,815	40	127,860,536	249,768,166
Caja Municipal de Ahorro y Crédito de Sullana S.A.	59,743,110	37	136,833,120	256,319,341
Caja Municipal de Ahorro y Crédito - Cusco	50,044,391	38	112,551,680	212,640,463
Caja Rural de Ahorro y Crédito Nuestra Gente	41,697,280	34	104,117,728	187,512,289
Caja Municipal de Ahorro y Crédito de Huancayo	33,092,527	27	109,712,008	175,897,063

## 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 2007 - 2009 to MicroBanking Bulletin (MBB) or MIX Market.

Source: Microfinance Information Exchange, Inc., December 2010, based on MFIs reporting to MBB or MIX Market.



## UPCOMING EVENTS

### MMT APAC 2011 - Mobile Money Transfer Asia Pacific 2011

January 17 - January 20, 2011, Manila, Philippines

This event will cover international remittances, regional case studies, mobile money transfers and microfinance as a tool for financial inclusion. The cost to attend is USD 1999 plus USD 600 for an add-on workshop and USD 800 for a field visits to two mobile money firms. Discounts are available for registrations received before December 18, as well as for groups. Details are available via Sonum Puri at +44 (0) 20 7067 1846 or sonum.puri@clarionevents.com or via <http://www.mobile-money-transfer.com/apac>.

### Investment and Innovation in Microfinance

January 25 - January 26, 2011, Singapore

This conference will cover emerging markets in Asia that are ready for investment, tackling over-indebtedness and embracing innovative and sustainable financial products. The cost per person is USD 2224 for for-profit organizations, USD 1824 for microfinance institutions and USD 1524 for nonprofit organizations. Add-on workshops are available, and more details can be had from Liz McAleer at +44 (0) 203 141 8700, +1 212 537 5898 or [info@hansonwade.com](mailto:info@hansonwade.com) or via <http://www.hansonwade.com/events/mfsworld-singapore/index.shtml>.

### Microfinance Latin America 2011

January 25 - January 27, 2011, Lima, Peru

This conference and associated workshops will focus on issues in microfinance in Latin America including new opportunities, performance assessment, regulation and reducing risk. The cost to attend is USD 2,180 with discounts available for registrations received before January 1. More information is available via [atendimiento@iqpc.com](mailto:atendimiento@iqpc.com), +55 11 3164 5600 or <http://www.microfinanzaslatam.com/Event.aspx?id=413308>.

### Fourth International Conference on Microfinance

January 27 - January 29, 2011, Pondicherry, India

This event will cover events such as financial literacy, microinsurance, money transfers, inclusive growth, regulation and social performance and poverty measurement. The fee to attend is USD 100 for attendees from abroad, and up to INR 3000 for domestic attendees. More details are available from Dr D Lazar at [icomfi2011@gmail.com](mailto:icomfi2011@gmail.com) or +91 04132654369 or via: <http://www.pondiuni.edu.in/events/icomfi2011/>.

### Microfinance Investments Summit 2011

February 3 - February 4, 2011, Amsterdam, Netherlands

This conference will cover foreign exchange, credit risk management and over-indebtedness in microfinance, as well as microfinance institution governance, product design and hedging mechanisms. The fee to attend is EUR 1595, and more information is available via <http://www.uni-global.eu/en/event/2011-96> or [registration@uni-global.eu](mailto:registration@uni-global.eu). No telephone number is offered.

### World Card and Payments Summit 2011

February 14 - February 16, 2011, Dubai, UAE

The summit aims to address innovations in payment products and financial cards, with a focus on the relationship between telecom operators and banking institutions. The cost to attend is USD 1500, and additional information is available from Bazaz Sakib via +91 9902 774 751 or [sakib.bazaz@fleminggulf.com](mailto:sakib.bazaz@fleminggulf.com) or via <http://www.fleminggulf.com/finance/middle-east/world-cards-and-payments-summit-2011>.

### ALFI Sustainable and Responsible Investments Conference

February 17, 2011, Luxembourg

This event will cover a wide range of topics including funding social businesses and the construction of sustainable stock indices. Registration fees have not yet been established, but more information is available via [events@alfi.lu](mailto:events@alfi.lu), +352 22 30 26 1 or <http://www.alfi.lu/conferences-training/conferences/alfi-sustainable-and-responsible-investments-conference>.

### Mobile Financial Inclusion 2011

February 23 - February 24, 2011, Dubai, UAE

This conference will focus on building partnerships with mobile network operators, regulators and technologists, with coverage of regulatory best practices, using mobile phone records as proxies for credit history and bank-led models. The standard price is USD 599 excluding add-on workshops. A rate of USD 399 is available to nonprofit organizations. More details are available at <http://hansonwade.com/events/mobile-finance/index.shtml> or may be requested from Liz McAleer at +44 (0) 203 141 8700, +1 212 537 5898 or [info@hansonwade.com](mailto:info@hansonwade.com).

### AITEC Banking & Mobile Money COMESA

March 2 - March 3, 2011, Nairobi, Kenya

The exhibition will showcase new technologies in mobile banking including developments in payment technologies, best practices in information technology project deployment and trends in customer service delivery. The fee to attend is USD 590, and more details are available via <http://www.aitecafrica.com/event/view/67>, +44 0 1480 880774 or [info@aitecafrica.com](mailto:info@aitecafrica.com).

### Payment Trends China

March 9 - March 11, 2011, Shanghai, China

This event will cover mobile payments, bank cards, treasury management, trade finance, avoiding fraud and various case studies. The full registration fee is USD 2,895, with discounts available for two-day passes and for groups. More details are available via +86 21 3360 0066, [ptc@atunicorn.com](mailto:ptc@atunicorn.com) or <http://www.paymenttrends.com/>.

## MORE DETAILS COMING SOON ON...

### Take Action! Impact Investing Conference Series

March 14 - March 16, 2011, San Francisco, USA

### MMT Americas 2011

March 21 - March 24, 2011, Sao Paulo, Brazil

### Second Annual MicroInsurance Summit Latin America

March 28 - March 31, 2011, Miami, USA

### Microfinance Investment Summit Africa

April 5 - April 7, 2011, Johannesburg, South Africa

### M-Commerce World Summit

April 6 - April 7, 2011, Singapore

### HBS-ACCION Program on Strategic Leadership for Microfinance

April 25 - April 30, 2011, Boston, USA

### Fourth Annual Global Microfinance Investment Congress

May 23 - May 24, 2011, New York, USA

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## PAPER WRAP-UPS

### Savings Groups: What Are They?

*By Hugh Allen and David Panetta, published by Small Enterprise Education and Promotion (SEEP) Network, June 2010, 64 pages, available at: [http://seepnetwork.org/PDFfiles/Savings\\_FINAL\\_web.pdf](http://seepnetwork.org/PDFfiles/Savings_FINAL_web.pdf)*

Even as microlenders become a popular channel through which to reach the poor, many of those in rural areas and urban slums remain without access to formal financial services. Reasons for this include the perception of high costs to reach remote areas, borrowers' restricted debt capacity due to seasonal production and an increasing interest in savings instead of credit. As a result, informal savings groups continue to grow in popularity.

Members of a savings group save together, lend their savings to each other with interest and share the profits. The authors argue that savings groups have the capacity to create a sense of autonomy among group members, improve gender relations by empowering women and foster local democratic governance through the promotion of transparency. If enough savings are available, they also have the capacity to make enough loans to supplant unscrupulous moneylenders.

The authors take a close look at a savings project carried out in the 1990s in rural Maradi, Niger, by the local affiliate of Swiss nonprofit CARE International. The training system emphasized management committee elections and that people would get their savings and interest earned at the end of a set term. CARE Niger found that this "time-bound" approach helped the savings group become independent after about a year of supervision. "Cash-out" cycles are often timed to provide liquidity when it is likely to be most needed, such as between harvests. As of 2010,

an estimated 197,000 women in Niger belong to savings groups.

Today, "facilitating agencies" send field officers to mobilize, train and supervise many types of savings groups. Some groups use ledgers or passbooks to track member savings, while others use memorization; some groups allow members to save different amounts; and some allow members to withdraw their funds on demand. Even as the parameters continue to evolve, there are general characteristics that have remained the same: groups range from 5 to 30 members (with an average of 22); members decide who joins the group; only management members handle money, which is kept in a lockbox; groups develop their own rules; savings are used to capitalize a loan fund from which members can borrow; and records of each member's savings are kept and routinely updated.

The authors note that savings groups have compensated for the lack of formal credit services in areas that microfinance institutions (MFIs) cannot reach. Savings groups meet small credit needs (with loans ranging between USD 5 and USD 500) without the "intimidation" of a debt collector, but with a high level of accountability, since all transactions are carried out in front of group members during meetings. Loans are typically used for emergencies such as funerals or medical needs and have an interest rate between 35 percent and 50 percent per year.

While many formal banks are reluctant to offer their products to savings groups, the authors note that many MFIs are exploring ways that they can do so, after the savings group has developed a successful track record. These products can include loans to the group or insurance products offered to individual members. The authors note that MFIs need to be careful about over-indebtedness when lending to groups, just as they should be when lending to individuals.

### Microfinance, Commercialization and Ethics

*By Reinhard Schmidt, published in Poverty & Public Policy, Volume 2, Issue 1, 2010, 39 pages, available at: <http://www.psocommons.org/ppp/vol2/iss1/art6/>*

This paper attempts to show how microfinance institutions can balance commercialization with a focus on development. The author outlines an evolution of microfinance from a "welfare-oriented activity" to a sector of commercial banking and argues that the continued transformation of microfinance into the commercial realm is the only way it can achieve significant social and developmental impact. In examining the benefits of commercialization, the author also scrutinizes the possible negative consequences of commercialization and attempts to distinguish when the profit motivation "has gone too far."

### Doing Business 2011 Making a Difference for Entrepreneurs

*Published by the World Bank and the International Finance Corporation, November 2010, 267 pages, available at: [http://www.doingbusiness.org/~media/jfdkm/doing\\_business/documents/annual-reports/english/db11-fullreport.pdf](http://www.doingbusiness.org/~media/jfdkm/doing_business/documents/annual-reports/english/db11-fullreport.pdf)*

This report examines the impact of regulations that affect business activity, covering regulatory frameworks in 183 economies, comparing them across 11 stages of business development. Peru remains at the top of the ranking for improvement in starting a business, while Singapore's online registration system, which has been widely emulated in Latin America, saves businesses an estimated USD 42 million annually. Roadblocks cited include the disproportionate affect on women of the lack of legal title to property that could be used as collateral for business loans and the need for higher worker pay, more time off for workers and better access to electricity.

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## Microfinance and Gender: Is There a Glass Ceiling in Loan Size?

By Isabelle Agier and Ariane Szafarz, published by Pontifical Catholic University of Rio de Janeiro and Université Libre de Bruxelles, March 2010, 37 pages, available at: <http://ssrn.com/abstract=1573872>

While the microfinance industry is well-known for serving women in developing countries, do microfinance institutions (MFIs), in fact, serve them fairly? By analyzing 34,000 loan applications taken over the course of 11 years at the Vivacred in Rio de Janeiro, Brazil, the authors of this paper examine whether there is discrimination against women in the provision of microcredit.

The authors conclude that there is no discrimination against women in the approval rate of microloans, but there does appear to be a “glass ceiling” on the amount of money loaned to women. The data revealed that all women who meet the standards for loan approval end up with the same loan size at Vivacred, whether or not they are more capable than men - or other women for that matter. The highest loan amounts were always reserved for the most able male candidates.

The authors point out that the practice of limiting loan size to women is not only unfair to the women, but it also limits the financial sustainability of the MFI: bigotry lessens income from valuable clients and costs MFIs clients that go to competitors to borrow larger amounts.

The authors also raised doubts about two common assumptions made in empirical microfinance research. First, they argue that gender should not be used as a proxy for poverty when conducting research or making forecasts. Some organizations do this because women are statistically poorer than men, but the authors point out that: (1) gender as a proxy mixes poverty and potential gender discrimination; and (2) women tend to ask for smaller loans than men with similar financial characteristics.

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Second, the authors argue that an MFI's average loan size is an inadequate measure for MFIs to determine the success of their organization. Aside from potentially leading to cross-subsidization - charging higher rates to one group of people to subsidize lower rates for a different group - average loan size measurements may be artificially reduced through credit discrimination.

Such discrimination against women is particularly disturbing as several studies have confirmed that women have lower microloan default rates than men, regardless of loan size.

## Microfinance Market Outlook 2011 Back on the Growth Path

Published by responsAbility Social Investments AG, December 2010, 5 pages, available at: [http://www.responsability.com/domains/responsability\\_ch/data/free\\_docs/rA\\_MicrofinanceMarketOutlook2011\\_en.pdf](http://www.responsability.com/domains/responsability_ch/data/free_docs/rA_MicrofinanceMarketOutlook2011_en.pdf)

Based on surveys of representatives of microfinance institutions, investors, rating agencies and consultancies, responsAbility predicts that during 2011, the microfinance industry will expand and recover some stability relative to its state since the recession that began in 2008.

Also forecast are improved portfolio quality; sustainable growth from enhanced corporate governance, risk management and product variability; and less demand from microbanks for refinancing.

## Indian Microfinance Crisis of 2010: Turf War or a Battle of Intentions?

Published by Intellectap, October 2010, 8 pages, available at: [http://intellectap.com/assets/82/Intellectap\\_Microfinance\\_White\\_Paper\\_Oct\\_2010\\_.pdf](http://intellectap.com/assets/82/Intellectap_Microfinance_White_Paper_Oct_2010_.pdf)

In the context of accusations against microfinance institutions (MFIs) of transgressions such as usurious interest rates and coercive collection practices, this paper cites “harmful” effects of the media response and suggests that the “state government [may be] unhappy that its programs (and perhaps the individual influences of some members of government) are being undercut by the MFIs.”

The paper also analyzes the recent ordinance passed by the government of the state of Andhra Pradesh that aims to regulate lending with the intention of protecting “women Self Help Groups (SHGs) from exploitation by the MFIs.” It is the opinion of the authors that the ordinance is one step on a road that could lead to such extreme results as the “wholesale closure” of the microfinance industry.

Regarding the media, the authors point to the highly publicized suicides in Andhra Pradesh and the media's willingness to correlate microfinance debt with said suicides with minimal investigation. Lastly, the authors argue that the “microfinance industry must establish stronger ethical practices, reporting and compliance rules and encourage transparency.”



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