

MICROCAPITAL BRIEFS | TOP STORIES

Pakistan's Microlenders Expect Flood Losses to Hit \$35m

Microlenders in Pakistan are anticipating the equivalent of USD 35 million in losses due to the effects on borrowers of recent floods. The Pakistan Microfinance Network is reportedly working with donors and the State Bank of Pakistan to refinance client loans. Pakistani microfinance institutions reporting to the Microfinance Information Exchange (MIX) held an aggregate gross loan portfolio of USD 114 million as of 2009. September 21. 2010

RBI: Withdraw Priority Sector Status from Microfinance Institutions

An unreleased report from the Reserve Bank of India (RBI) is said to recommend that, by March 2012, RBI withdraw microfinance institutions' (MFIs') priority sector status, which allows them borrow at lower interest rates. Private and foreign banks have been lending heavily to MFIs to satisfy priority sector lending targets of up to 40 percent of net bank credit. The targets, set by RBI, are intended to promote financial inclusion. September 15. 2010

Nicaragua's Banex Liquidated

Nicaraguan banking authorities have announced the liquidation of microfinance institution Banco del Exito (Banex), despite recent attempts to restructure the institution's finances. Banex reported total assets of USD 178 million and a gross loan portfolio of USD 137 million as of fiscal 2008. September 9. 2010

IFC, Daiwa to Issue \$323m in Bonds for Microfinance

The International Finance Corporation, a member of the World Bank Group, and Daiwa Securities Group, a Japanese financial services holding company, recently announced the details of a bond expected to raise the equivalent of USD 323 million for microlending in poor countries. The three-year bonds will be denominated in Australian dollars - paying 4 percent annual interest - and South African rand - paying 5.7 percent. The issue will be arranged and distributed by Daiwa subsidiaries to Japanese retail and institutional investors. September 3. 2010

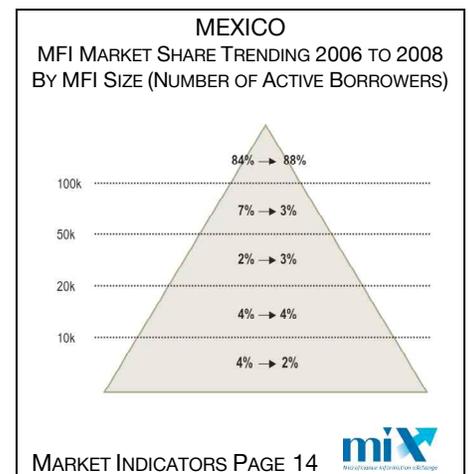
Central Africa Raises Capital Reserve Requirements to \$20m

The Committee of Banking Supervisors of West and Central Africa, an organization that supervises lenders and sets banking regulations in 11 African countries, announced that financial institutions under its purview, including microfinance institutions, will be required to have capital reserves of at least USD 20 million starting in 2014, up from the current level of USD 4 million. September 1. 2010

Barclays Commits \$50m to African Microfinance

Barclays, a London-based international financial services provider, recently announced that it will invest USD 50 million in microfinance activities in Africa, particularly in village savings and loans associations. The investment expands an existing three-year project, the Banking for Change initiative, which was launched in September 2008 in partnership with NGOs CARE International and Plan International. Barclays initially pledged to commit the equivalent of USD 15 million to Banking for Change, with a goal of facilitating financial services for 500,000 people in Africa, Asia and South America. It is not clear whether this commitment is an increase of the original or if it is a separate, additional commitment. August 27. 2010

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MICROCAPITAL BRIEFS

CGAP Calls on Funders to Join SmartAid

CGAP (Consultative Group to Assist the Poor) recently announced the release of SmartAid 2011, an index that assesses funder support for microfinance. Through November 12, funders may apply for a report with a description of strengths and weaknesses and scoring relative to peers on criteria such as staff qualifications, transparency and appropriateness of funding instruments. September 22, 2010

More Bankers Joining Indian Microfinance Industry

Despite a report (covered in the July issue of this newspaper) indicating that senior microfinance managers earn less than half of that earned by their counterparts in large financial institutions in India, a recent column in the *Indian Express* newspaper cited Bobby Parikh, managing partner of accounting firm BMR & Associates, as saying that, "Bankers see a clear growth path as some of these [microfinance] institutions are looking at listing and growing their business aggressively." September 22, 2010

Microinsurance Facility Accepting Research Grant Applications

Through the end of September, the UN's International Labor Organization and the European Development Research Network, a group of economic development academics, will accept applications for research funding from the Microinsurance Innovation Facility. The grants are intended to increase the supply of experts in microinsurance and to promote the field in academic circles. September 22, 2010

Triple Jump, Oikocredit Ponder Shared Set of ESG Criteria

Two Dutch microfinance players, fund manager Triple Jump and cooperative fund Oikocredit will be hosting a meeting on September 23 to consider the development of an industry standard for measuring environmental, social and governance performance. September 22, 2010

Defending Microfinance Institution Profitability

A recent article by Sugata Ghosh of India's *Economic Times* newspaper defends the Indian microfinance industry from more regulation, arguing that an interest rate cap could push microfinance institutions to increase revenue by charging obscure fees or to shut down altogether. Conceding that withdrawing priority sector status from microfinance institutions (see Page One of this newspaper) may be justified, Mr Ghosh urges the Reserve Bank of India to encourage more entrepreneurs to enter the microfinance industry to bring interest rates down through competition. September 21, 2010

India's Trident Planning to Raise \$16m in Equity

Trident Microfin Private Limited, an Indian microfinance institution, has announced plans to raise the local-currency equivalent of USD 16 million in equity financing from high-net-worth individuals and two existing investors, the Bellwether Microfinance Fund and the India Financial Inclusion Fund, two India-focused equity investment funds. Trident reports total assets of USD 33 million. September 21, 2010

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Bombay Stock Exchange Adds SKS to BSE-500 Index

The Bombay Stock Exchange Limited of India has added SKS Microfinance to its BSE-500 index, which currently incorporates 93 percent of the market capitalization of companies active in the 20 major industries of India. September 21, 2010

India's Spandana Sphoorty Reaches \$3b in Disbursements

Spandana Sphoorty Financial Limited, an Indian microfinance institution reporting total assets equivalent to USD 580 million, recently announced that it has loaned a total of USD 3 billion since its founding in 1998. September 21, 2010

Jason Fairbourne Advocates Microfranchising

In US newspaper *The Salt Lake Tribune*, Jason Fairbourne, a faculty member at Brigham Young University in the US state of Utah, recently argued that poor people looking to become self-sufficient should be offered business models in the form of "microfranchises" rather than just loans because microentrepreneurs "are doing a business out of necessity, in order to feed their family, not because they are entrepreneurial and have the next big idea." September 21, 2010

East Africa Seeks to Align Microfinance Regulation

Representatives of the five countries of the East African Community recently met to discuss the possibility of microfinance regulation alignment. No concrete outcomes were announced. September 21, 2010

Lagos State Government Commits \$8.5m to Microfinance

The Lagos State government recently announced it has committed the local-currency equivalent of USD 8.5 million to be distributed through its Lagos State Microfinance Institution to the following local institutions: GapBridge, GS, Infinity, Integrated, LASU, Mic, Ojokoro and Townserve Microfinance Banks. September 21, 2010

India's Ujjivan Offers Bridge from Group to Individual Loans

Ujjivan Financial Services, an Indian microfinance institution, recently announced the launch of its short-term business loan (STBL) product, which will provide working capital to individual customers who have borrowed from Ujjivan as part of a joint-liability group for more than a year. STBL borrowers will pay annual interest rates of 22 percent to 28 percent and must continue to attend group meetings for one additional year, after which they can convert the loan to an individual loan. STBLs will carry terms of three to eight months. Ujjivan reports total assets of USD 72 million for fiscal year ended March 2010. September 21, 2010

Foxes Watching the Hen House?

Peter Van Dijk, a consultant based in Indonesia, recently argued on the Microfinance Focus website that because non-binding "codes of conduct" cannot be effectively enforced, governments should play a central role in protecting the rights of consumers that use microfinance services: "Such a body needs to have adequate authority (legal power), credibility (technical competence) and sustainability (sufficient human and financial resources)." September 21, 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!

ANZ Bank to Open Microfinance Center in Fiji

The Australia and New Zealand (ANZ) Banking Group, which reports assets equivalent to USD 447 billion, confirmed that it is planning to open a microfinance center in Fiji in collaboration with the Asian Development Bank and the International Finance Corporation, the private sector arm of the World Bank Group. Details on the offerings of the microfinance center have not been released. ANZ already has several branches in Fiji. September 21. 2010

BlueOrchard Invests \$8m in Asia

BlueOrchard Finance SA, a subsidiary of Swiss microfinance intermediary BlueOrchard, recently reported to MicroCapital the details of three loans: USD 4 million to Armeconombank, an Armenian open joint stock bank reporting assets equivalent to USD 143 million, in syndication with the London-based European Bank for Reconstruction and Development; USD 2 million to microfinance institution Hattha Kaksekar Limited of Cambodia, which reports assets of USD 33.4 million; and the local-currency equivalent of USD 2 million to KazMicroFinance LLC, a Kazakh non-bank financial institution reporting assets of USD 48.2 million. September 20. 2010

Micro Housing Finance of India Reaches \$2.1m in Loans

The Micro Housing Finance Corporation (MHFC), an Indian company that provides housing loans to poor urbanites, has reported to MicroCapital that it has reached the equivalent of USD 2.16 million (INR 100 million) in total loans sanctioned since its founding in 2008. Currently it finances housing units in 20 pre-approved developments in Mumbai, Pune and Ahmedabad. MHFC expects to conclude deals with developers to finance units in projects in Kolkata, Bangalore and Surat by the end of 2010. Loans were given for a maximum period of 15 years at annual rates as low as 12 percent as of 2009. September 20. 2010

SE Investments of India to Double Loan Book

SE Investments Limited, an Indian public limited company reporting approximately 200,000 active microborrowers in the state of Uttar Pradesh, recently announced that it plans to expand into the states of Uttarakhand and Rajasthan, add 100,000 new clients and double its loan book to the equivalent of USD 217 million by March 2011. SE Investments currently offers loans of up to USD 1,000 at "average" interest rates of 24 to 27 percent. September 20. 2010

IFC Guarantees \$29m for Securitized Fund for Brazilian SMEs

The International Finance Corporation, the private sector arm of the World Bank Group, has committed to issuing local-currency guarantees worth USD 29.1 million for investors in a fund that securitizes loans made to small and midsize enterprises by Brazil's Banco Industrial e Comercial SA. Founded in 1938, Banco Industrial Comercial reports total assets equivalent to USD 8.49 billion. September 20. 2010



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SeedFinance, Smart to Offer Mobile Money in Rural Philippines

SeedFinance Corporation, a wholesale and retail microlender in the Philippines, and Smart Communications, a subsidiary of the Philippine Long Distance Telephone Company, have partnered to launch the Islands Activation Program, an initiative to bring mobile-based financial products to previously untargeted islands of the Philippines. The 1.2 million clients of SeedFinance and its 73 partner cooperatives will be able to leverage Smart's mobile-phone-linked electronic "Smart Money" cards to send and receive funds. As part of the effort, Electronic Network Cash Tellers Incorporated, also of the Philippines, will install automated teller machines at some branches of SeedFinance partners. September 20. 2010

State Bank of India, Oxigen Install First 80 Microfinance Kiosks

The State Bank of India, a state-owned financial services company, and Oxigen, an Indian bill-payment and prepaid-recharge company, recently announced details of a joint program (that was originally covered in the August issue of this newspaper) to install banking kiosks in local grocery shops known as "kirana" stores. The companies have installed 80 kiosks in the Dharavi slum of Mumbai and in Delhi, and they plan to install thousands more in the states of Maharashtra, Bihar and Uttar Pradesh by October. The kiosks offer deposit, withdrawal and transfer services with no minimum balance. September 20. 2010

Central Bank of Nigeria Scraps Universal Banking Licenses

The Central Bank of Nigeria recently announced that, as of January 2011, it will discontinue the issuance of universal banking licenses that allow "non-core" activities - such as asset management and insurance - and will instead introduce three new classes of banking licenses: commercial, merchant and specialized. The "specialized" license will encompass microfinance, mortgage, Shariah and development finance banking. September 20. 2010

responsAbility Loans \$2.5m to FINCA Kosovo, Albania's fondiBESA

responsAbility Social Investments of Switzerland has reported that funds it manages have made four euro-denominated loans to microfinance institutions FINCA Kosovo and fondiBESA of Albania at floating rates based on the six-month USD LIBOR rate for periods of three years. The responsAbility Global Microfinance Fund (rAGMF) loaned the equivalent of USD 951,000 to FINCA Kosovo, an affiliate of FINCA International, a microfinance network with subsidiaries in 21 countries. The responsAbility Microfinance Leaders Fund also loaned USD 317,000 to FINCA Kosovo. fondiBESA, which reports outstanding loans of USD 42 million, received loans of USD 951,000 from rAGMF and USD 317,000 from responsAbility Mikrofinanz-Fondz, which is financed by German banks Bank im Bistum Essen and Stadtsparkasse Dusseldorf. September 17. 2010

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Haiti's Fonkoze Releases Social Performance Report

Fonkoze, a microfinance institution established in Haiti in 1994, recently released its 2009 Social Performance Report, which indicates that, after a year, one group of its clients had 17 percent fewer people categorized as "food insecure with hunger," and another group saw a 43-percent increase in educating "most or all" of their children. September 17, 2010

Western Union, Bandhan to Offer Money Transfer in Rural India

In an endeavor to reach deeper into India, Western Union, a US-based provider of financial and communication services, has partnered with microfinance institution Bandhan to offer money transfer services to Bandhan's 2.8 million Indian clients. Bandhan reportedly hopes to activate 800 locations by the end of this year in collaboration with Western Union agency Weizmann Forex. September 16, 2010

IFC, OPEC Fund Provide \$40m to Argentina's Banco Galicia

The International Finance Corporation, a member of the World Bank Group, and the OPEC (Organization of the Petroleum Exporting Countries) Fund for International Development, a development finance institution based in Vienna, recently announced an agreement to provide USD 40 million to Argentina's Banco de Galicia y Buenos Aires SA in support of agribusinesses, including small businesses, and projects to reduce the use of water and energy. With total assets equivalent to USD 6.4 billion, Banco Galicia provides 4.2 million clients with loan, banking, investment and insurance services. September 16, 2010

Nigeria's Ebonyi State to Disburse \$1.3m in Microloans This Year

The government of the Nigerian state of Ebonyi recently announced that it will disburse the equivalent of USD 1.32 million in microcredit at an annual interest rate of 5 percent. Individuals will receive loans of up to USD 330, and groups of 10 or more will receive loans of USD 1,983. Five unnamed microfinance institutions will service the loans. September 16, 2010

SKS Market Capitalization Reaches \$2b

Based on an early-September share price of INR 1,286 (USD 27), the market capitalization of Indian microlender SKS Microfinance has reached the equivalent of USD 2 billion. For special coverage of the recent controversial initial public offering by SKS, please refer to the August issue of this newspaper. September 15, 2010

AccessBank of Azerbaijan Launches Education Loan Product

AccessBank of Azerbaijan recently announced the launch of a product to finance students' post-secondary education that features lower interest rates for those earning high grades. AccessBank is partially owned by Germany's AccessHolding, a commercial microfinance company with investments in six countries. AccessBank reports assets equivalent to USD 375 million, a loan portfolio of USD 297 million and 99,000 active borrowers. September 15, 2010



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BlueOrchard Loans \$1.7m to Peru's EDPYME Alternativa

BlueOrchard Finance, a Swiss commercial microfinance intermediary, announced that it has loaned the local-currency equivalent of USD 1.77 million to Peruvian microfinance institution EDPYME Alternativa from the Dexia Microcredit Fund. For 2008, Alternativa reported a loan portfolio of USD 15.4 million, total assets of USD 21.0 million and 20,844 active borrowers. September 15, 2010

EFSE Loans \$40m in Serbia, Belarus

The European Fund for Southeast Europe, a microfinance investment vehicle, recently loaned USD 25 million to Serbia's Komercijalna Banka, which reported assets equivalent to USD 2.47 billion for 2007, and USD 15 million to Belorussian-Russian Belgazprombank Joint Stock, a bank in Belarus with 110,000 institutional and individual customers. As of 2007, Belgazprombank had USD 445 million in assets and a net loan portfolio of USD 229 million. September 15, 2010

India's Suryoday Raises \$4.5m from Lok, Aavishkaar Goodwill

Suryoday Micro Finance Private Limited, an Indian non-banking financial company, recently announced the closing of its Series B equity raise, with the equivalent of USD 3.8 million provided by two investors that specialize in Indian microfinance: Lok Capital, a new investor in the company, and existing Suryoday investor Aavishkaar Goodwill. Lok has also agreed to make a separate equity infusion of USD 756,000. Suryoday reports assets of USD 4.57 million, a gross loan portfolio of USD 3.47 million and 24,000 borrowers. September 15, 2010

UN, CARE Complete Financial Training for Liberian Women

The UN Development Program, the UN Capital Development Fund and Swiss NGO CARE International have completed a week-long financial training program for 100 women as part of an effort to develop an inclusive financial sector in Liberia. September 15, 2010

Indian Microinsurers May Face Spike in Minimum Coverages

India's Insurance Regulatory and Development Authority recently announced draft regulations that would require life insurers, for a policy premium of USD 47, to provide minimum insurance coverage equivalent to USD 2,100, a 10-fold increase of the previous minimum. Additionally, agent commissions would be capped at 10 percent of first-year premiums and 2 percent for renewals, down from 20 percent for new policies and 10 percent for renewals. September 15, 2010

EBRD Loans \$94m to Russia's Credit Europe Bank for SMEs

The European Bank for Reconstruction and Development, a London-based development finance institution, recently announced that it is providing an unsecured, five-year, local-currency loan worth USD 94 million to Credit Europe Bank Limited of Russia to support small and medium-sized enterprises. Credit Europe is a commercial bank reporting total assets of USD 2.3 billion. September 15, 2010



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IFC Sponsors Tour...to Study Microfinance Policy in Mongolia

The International Finance Corporation, a member of the World Bank Group, recently announced that in October it will bring policymakers from Central Asia and Bosnia and Herzegovina on a three-day tour to meet microfinance practitioners and policymakers in Mongolia to learn about best practices that can be adapted to improve the legal framework for microfinance in their home countries. September 15, 2010

Axis, Janalakshmi Partner to Bring to Services to Urban Indians

Axis Bank, an Indian financial services firm with assets equivalent to USD 2.9 billion, and Janalakshmi, an Indian microfinance institution with 82,000 active borrowers, have established a partnership to expand access to financial services in urban areas. Janalakshmi will offer Axis Bank's services and products first to its existing client base in Bangalore and then in 50 other Indian cities by 2011. September 15, 2010

responsAbility Invests \$4.3m in ProCredit Mexico, Pro Mujer

Switzerland's responsAbility Social Investments recently reported to MicroCapital that funds it manages have loaned the peso-equivalent of USD 4.31 million to microfinance institutions ProCredit Mexico and Pro Mujer. ProCredit Mexico, an affiliate of Germany's ProCredit Holding, borrowed the equivalent of USD 952,000 from Mikrofinanz-Fonds and USD 2.86 million from the Global Microfinance Fund. Pro Mujer, which provides microfinance, training and healthcare in five Latin American countries, borrowed USD 495,000 for its Mexican operations from the Microfinance Leaders Fund. September 14, 2010

BlueOrchard Loans \$2.5m to Peru's Confianza, Ecuador's D-Miro

Switzerland's BlueOrchard Finance has disbursed loans to two microfinance institutions from the USD 531 million Dexia Microcredit Fund: USD 1 million to Ecuador's Fundacion para el Desarrollo Microempresarial (D-Miro) and the local-currency equivalent of USD 1.53 million to Peru's Confianza, which offers loans, money transfers and insurance. For 2008, Confianza reported assets of USD 101 million, and D-Miro reported assets of USD 23.6 million. September 14, 2010

In Favor of Offering Microcredit, Microinsurance Together

Dr Bhagwan Chowdhry, a professor at California's Anderson School of Management, recently argued on the Huffington Post website that offering both microcredit and microinsurance reduces transaction costs for institutions and allows for closer relationships with customers, which fosters better credit decisions. September 14, 2010

ARB Apex Bank of Ghana Cautions Against Intern Fraud

Eric Osei-Bonsu, Managing Director of the Area Rural Bank Apex Bank, recently warned against rogue interns to whom "some banks have lost huge sums of money through the manipulation of clearing...." September 14, 2010



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BancABC Confident About Zimbabwean Economy (!)

CEO Doug Munatsi of BancABC, a commercial bank based in Botswana that provides some microfinance services, recently was quoted as saying, "Zimbabwe is showing much better signs of profitability." Mr Munatsi is reportedly interested in providing microfinance services to civil servants in the country. It is unclear if the loans would be intended to fund microenterprises or consumption. With a total loan portfolio of USD 320 million, BancABC serves customers in six African countries including 40,000 microborrowers in Zambia. September 14, 2010

The Philippines Releases \$2.2m for Lending in Drought Zone

The Department of Agriculture of the Philippines recently ordered the release of the equivalent of USD 2.27 million for microfinance activities in areas affected by drought caused by El Niño. September 14, 2010

BlueOrchard Loans \$8.7m in Romania, Kosovo

BlueOrchard, a Swiss commercial microfinance intermediary, recently reported to MicroCapital the details of the following euro-denominated loans it disbursed from the Dexia Microcredit Fund: the equivalent of USD 6.14 million to ProCredit Bank of Romania, a bank reporting assets of USD 370 million, a gross loan portfolio of USD 258 million and 35,000 active borrowers; and USD 2.6 million to KEP Trust, a microfinance institution in Kosovo reporting assets of USD 70 million, a gross loan portfolio of USD 60 million and 19,366 active borrowers. ProCredit Bank of Romania is held by USD 6 billion ProCredit Holding of Germany, whose 21 banks serve small and medium-sized enterprises and lower- and middle-income savers. September 13, 2010

Parent of India's Grameen Koota Appoints Udaya Kumar as CEO

Grameen Financial Services Private Limited, a non-banking financial company offering microfinance products and training services in India, has appointed Mr Udaya Kumar to serve as CEO. September 13, 2010

Iraqi MFIs Agree to Code of Ethics

At the inaugural meeting of the Iraqi Microfinance Industry Network, representatives of 14 microfinance institutions unanimously agreed to a Code of Conduct and Ethics that mandates a commitment to transparency, respect for religion, privacy of client information and fair lending and collection practices. The lenders reportedly included all those operating in Iraq as of August, representing an aggregate loan portfolio of USD 88.2 million and 64,000 clients. September 13, 2010

Sinar Harapan Bali, Axis, IFC Launch Mobile Banking in Indonesia

Bank Sinar Harapan Bali, a subsidiary of Indonesia's Bank Mandiri, Indonesian mobile phone service provider Axis and the World Bank Group's International Finance Corporation have launched a project intended to expand financial access by making it easier to open and maintain a bank account via a mobile phone. September 13, 2010



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ADB, GTZ Grant \$900k for Microinsurance in China, Mongolia

The Asian Development Bank and German development agency Deutsche Gesellschaft für Technische Zusammenarbeit will provide USD 928,000 in grant funds to the People's Republic of China and Mongolia to develop the microinsurance sector by studying relevant economic factors and assisting industry regulators in developing reforms. Also participating is the Access to Insurance Initiative, which operates in partnership with the International Association of Insurance Supervisors, a standard-setting body for insurance regulation. September 13. 2010

responsAbility Loans \$4m in Tajikistan, Azerbaijan

responsAbility Microfinanz-Fonds and responsAbility Global Microfinance Fund (rAGMF), investment vehicles managed by responsAbility Social Investments AG of Switzerland, recently made four loans to microfinance institutions in Central Asia. With a two-year term and a floating rate based on the six-month USD LIBOR, Bank Eshkhat of Tajikistan borrowed USD 1.25 million from rAGMF and USD 750,000 from Microfinanz-Fonds. VF AzerCredit LLC of Azerbaijan borrowed USD 1.5 million from rAGMF and USD 500,000 from Microfinanz-Fonds at fixed annual interest rates of 8 percent for 30 months. September 13. 2010

South Korea's Smile Reining in Sunshine after Disbursing \$463m

In its first month, the "Sunshine" loan program of Korea's Smile Microcredit Bank, a government-led institution operated in partnership with a group of major Korean corporations, disbursed 61,000 unsecured loans equivalent to USD 463 million, over four times the projected amount. With a looming cash shortage and fears of loan defaults, the program's credit rating criteria are being adjusted, along with documentation procedures that may have allowed high-income individuals to benefit improperly from the loans, which have annual interest rates of up to 13 percent. August 20 and September 9. 2010

15 Rural, Community Banks Categorized for Liquidation in Ghana

The World Bank and Ghana's Area Rural Bank Apex Bank, which is held by a group of rural and community banks (RCBs), recently released a report identifying 15 of 136 Ghanaian RCBs as candidates for liquidation based on their not being deemed "practical and satisfactory." Dr David Andah, CEO of the Ghana Microfinance Institutions Network, argued that mainstream banks are moving into the rural market to take advantage of the enabling financial environment RCBs have created, and he called on the government to reconsider restrictions placed on RCBs, such as requiring new ones to raise the equivalent of USD 105,000 in capital. September 9. 2010

FMO, Dutch Government Loan \$15m to NOTS Microfinance Fund

Not One The Same (NOTS) Foundation, a Dutch NGO, has raised the equivalent of USD 15.5 million from the Dutch government and the Netherlands Development Finance Company (FMO) to support the NOTS Microfinance Fund. The funding will support the issuance of bonds by NOTS to private investors to finance its activities. For every euro from private investors, a subordinated investment of EUR 0.43 from the development financiers will reduce risk for the private investors. The total amount that NOTS aims to raise, USD 51.5 million, will be invested in Tier-3 microfinance institutions. September 9. 2010

Yunus Promotes Social Business Funding for Haiti

Nobel laureate Muhammad Yunus recently promoted "social business funding" as an avenue to address social ills and advance earthquake recovery in Haiti. The gist is to fund businesses to support housing, transportation, energy, health, nutrition and education with the profits continually re-invested into the social businesses. Mr Yunus argues that this is better than traditional donations because, "In charity, a dollar only has one life." September 8. 2010

Credit Awareness Nigeria Urges Banks to Boost Inclusion

At a recent conference, Credit Awareness Nigeria, a nonprofit that promotes financial literacy, called on banks to provide low-income groups with better access to financial services, such as by distributing products via local cooperatives and also by adopting account terms that are easier to understand. September 8. 2010

Microfinance Field Research Scholarships Available

University Meets Microfinance, a program of French NGO PlaNet Finance, is offering euro-denominated scholarships worth USD 2,000 for field research operated as part of a degree program of a university in the EU. The application deadline is November 15. September 8. 2010

Punjab National Bank of India to Launch Microinsurance

Punjab National Bank, a government-controlled bank in India, recently announced that it is in the process of selecting an insurance company as a partner with which to launch unspecified microinsurance products in the next six months. Punjab has 4,525 branches and reports total assets equivalent to USD 66.3 billion. September 8. 2010

Grameen-Jameel Backs Turkish MFIs with \$5m

Grameen-Jameel, a joint venture of US-based Grameen Foundation and Saudi Arabia's Grow Well Limited, has announced that it will provide USD 5.2 million in technical assistance and financial support to Turkish microfinance institutions Turkish Grameen Microcredit Program and Maya Enterprise for Microfinance. Turkish Grameen, which reports total assets of USD 9 million and 28,000 borrowers, will receive USD 3.2 million. Maya, which was founded in 1986 and claims total assets of USD 927,000 and 1,854 borrowers, will receive USD 2 million. While details of the financing have not been released, Grameen-Jameel often provides partial credit guarantees to microlenders. September 8. 2010

SPBD of Samoa to Open Microfinance Institution in Fiji

The South Pacific Business Development Foundation, a Samoan nonprofit microlender since 2000, reportedly plans to open a microfinance institution in Fiji this month with the goal of reaching 20,000 clients over the course of several years. In Samoa and Tonga, the foundation provides unsecured loans to rural women as well as housing and education loans. September 7. 2010

"Slated to join the ranks of flint stones...and the floppy disk"

A recent column by T K Arun of India's *Economic Times* newspaper foresees an end to microfinance as mobile banking frees borrowers from the need to patronize the local moneylender or microlender. Mr Arun also argues that repayment incentives have weakened because even after a borrower has defaulted with one lender, "some other desperate chaser of micro gold at the bottom of the pyramid was at your doorstep with a loan offer." September 7. 2010

Indian Microfinance Institutions May Drop Rates by 3%

Sa-Dhan, an association of 223 Indian microfinance institutions (MFIs), has announced that many of its members will lower their interest rates - perhaps by as much as 3 percent. "We are worried that some MFIs are over-charging poor borrowers. Interest rates will move southwards for sure. We have also directed members to cut down salaries of their top executives," said Executive Director Matthew Titus. September 7. 2010

Good Capital Loans \$200k to Root Capital

Good Capital, a US-based, socially responsible investment manager, is making a subordinated loan of USD 200,000 to Root Capital, a US-based nonprofit investment fund that has provided capital, financial education and market connections to small and medium-sized enterprises in poor countries since 1999. September 7. 2010

Indonesian Banks Falling Short of Microfinance Lending Targets

Indonesia's major banks are reportedly falling short of government-mandated microfinance lending targets due to concerns about the capacity of borrowers to repay. About one third of the goal, equivalent to USD 2.2 billion, has been loaned thus far. September 7. 2010

Women's Federation Ties Up with Banco Sol of Angola

Banco Sol, an Angolan bank that provides microcredit and mainstream financial services, recently signed an agreement with the Federation of Angolan Women Entrepreneurs, an association of approximately 2,500 businesswomen, to provide two-year microloans to Federation members at an interest rate of 3.99 percent per month. Banco Sol reports total assets equivalent to USD 1.18 billion. September 6. 2010

Corporation Bank, United India to Offer Microinsurance

Two institutions owned by the Indian government, United India Insurance Company Limited and Corporation Bank, have reached an agreement whereby the bank will market and distribute United India's microinsurance products through its approximately 1,300 branchless banking terminals, which are specifically intended to reach poor people. The companies will use "smart card" technology to offer health, fire, motor and other types of insurance. September 6. 2010

CGAP Announces Appointment of CEO Tilman Ehrbeck

CGAP (Consultative Group to Assist the Poor), an independent policy and research center housed at the World Bank, has announced the appointment of Tilman Ehrbeck as CEO, who will exit as a partner of global management consulting firm McKinsey & Company to succeed Elizabeth Littlefield, who left CGAP to head the US Overseas Private Investment Corporation. September 3. 2010

Indian MFIs Shifting to Monthly Repayment Schedules

Several Indian microfinance institutions, including Spandana Sphoorty Financial Limited, Bharatiya Samruddhi Finance Limited, Trident Microfinance and Janalakshmi Financial Services, have begun offering loan products that feature monthly repayments, as opposed to the more common weekly payment schedule. The new model is more suited to some customers' income patterns and reduces costs. However, the new loans are larger in size and longer in term, and thus may carry greater credit risk. Also, the monthly schedule generally results in a lower effective interest rate. September 3. 2010

Barclays, Plan, CARE Expand Savings-led Initiative to India

Barclays, a British international financial services provider, recently announced it will expand the Banking on Change program, which is operated in partnership with international NGOs CARE International and Plan International, to India with an allocation equivalent to USD 1.2 million. You may refer to Page One of this newspaper for news of a major expansion of this initiative in Africa. September 3. 2010



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Polaris Software, MFI Enterprise Solutions Tie Up in Ethiopia

Polaris Software Lab Limited, an Indian financial software company, recently agreed to provide license to its enterprise platform, Intellect, to MFI Enterprise Solutions, an information technology provider based in Kenya, to customize it for Ethiopian microfinance institutions and to train staff in its use. The move comes as the National Bank of Ethiopia is requiring its customer institutions to install centralized, real-time banking systems. September 3. 2010

Grameen Foundation Wins \$200k for Microlending, Mobile Data

The US-based nonprofit Grameen Foundation has won a USD 200,000 award from American Express, a global consumer services company, and TakePart, a social action network, that the foundation will use to continue supporting microfinance institutions and promoting access to farming and health information for people in poor communities through mobile phones. September 2. 2010

Microfin Loans \$746k to India's Suryoday Micro Finance

Microfin Private Limited, an Indian non-banking financial company that contracts with private equity firm MicroVentures India, has announced a rupee-denominated loan worth USD 746,000 to Indian microfinance institution Suryoday Micro Finance Private Limited. Suryoday reports total assets of USD 4.57 million, a gross loan portfolio of USD 3.47 million and 24,000 borrowers. September 2. 2010

State Banks to Offer Microfinance at Post Offices in Thailand

Thailand Postal Service is awaiting approval from the Bank of Thailand to offer microfinance services at its 1,200 branches. State banks that already operate microfinance programs "would collaborate to establish 'local financial advisers' to offer assistance to villagers about basic household financial planning and accounting." September 2. 2010

Freedom from Hunger Reports on Microfinance "Plus" Healthcare

Freedom from Hunger, a US-based nonprofit, recently published the results of a four-year program offering health-related services along with loans for 1.5 million rural people in Benin, Bolivia, Burkina Faso, India and the Philippines. The report concludes that products such as medical loans, health insurance, provider discounts and mosquito nets can sometimes be offered "inexpensively" such that "in some cases, the resulting increase in client attraction and loyalty may lead to a net financial gain for the banks." September 2. 2010

Grameen Foundation to Certify Use of Poverty Index

Grameen Foundation, a US-based nonprofit, recently announced the issuance of standards for the use of its Progress out of Poverty Index (PPI), a tool for measuring changes in poverty data over time. The standards are a precursor to a formal PPI certification program that Grameen plans to implement to verify the accuracy of PPI data provided by microfinance institutions to donors, investors and rating agencies. September 2. 2010

Asomi, with 42,000 clients in India, is pleased to announce its goal of reaching



200,000
clients by
2012

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With Finance in Motion, Client Protection Endorsements Hit 528

The Smart Campaign, an initiative of the US-based nonprofit Center for Financial Inclusion, acquired its 528th endorser this month with the participation of Finance in Motion, the Frankfurt-based advisor to the European Fund for Southeast Europe, an investor in micro- and small enterprises. The Smart Campaign promotes six core consumer protection principles, avoidance of over-indebtedness, responsible pricing, appropriate collections, ethical staff behavior, redress of grievances and privacy of client data. September 1. 2010

Strategy Realignment for Indonesian Microfinance?

Sahli Sondhi of Indonesian consultancy Strategic Asia recently argued in the *Jakarta Globe* newspaper for a new strategy for the local microfinance sector, including increased collaboration between the public and private sectors. Lamenting that “even as the commercialization of microfinance has taken place in Indonesia, competitive pressure and efficiency in the market remain low.” August 31. 2010

India's Bandhan Seeking \$21m

Bandhan, a nonprofit Indian microfinance institution, recently announced it is seeking the equivalent of USD 21 million from private investors. As of 2008, Bandhan reported a gross loan portfolio of USD 103 million and total assets of USD 170 million. August 31. 2010

Inecobank, IFC to Expand Trade Finance for SMEs in Armenia

The International Finance Corporation, the private sector arm of the World Bank Group, recently announced that it will guarantee an unspecified amount of trade financing transactions for small and medium-sized enterprises funded by Inecobank, an Armenian bank reporting total assets of USD 129 million. August 31. 2010

Expanding Remittance Services in the Philippines

The US-based financial technology provider Microfinance International Corporation (MFIC) has signed an agreement with Philippine wireless service provider Smart Communications to offer remittance services from rich countries to the Philippines using MFIC's money transfer service Arias. Smart will pay out funds as “Smart Money,” which may be received at retail outlets or automated teller machines or may be used for bill payment or purchases. August 31. 2010

IFC Places \$75m Equity Investment in Caribbean's Guardian

The International Finance Corporation (IFC), a member of the World Bank Group, recently announced a USD 75 million equity investment in Guardian Holdings Limited, a financial services group that is based in Trinidad and Tobago and operates throughout the Caribbean. The investment, USD 56.2 million in equity directly from IFC and USD 18.8 million in equity from the IFC African, Latin American and Caribbean Fund, will be used to improve access to insurance services, especially health and agribusiness insurance. Guardian reports total assets of USD 3.4 billion. August 31. 2010

CFI Outlines Best Practices for Preserving Social Objectives

Elisabeth Rhyne, managing director of the Center for Financial Inclusion, an organization founded by US-based nonprofit ACCION International, recently outlined the following guidelines intended to help nonprofit microfinance institutions keep their social missions while transforming into for-profit operations: retaining the original team of sponsoring organizations; blending original staff with new managers; openly discussing the interests of investors, sponsoring organizations and managers; and setting up “prenuptial agreements” well in advance to outline the division of property or personnel to take place in the event that the organization converts to for-profit status. August 31. 2010

IFC, Australia Launch Pacific Microfinance Initiative

The International Finance Corporation, the private sector arm of the World Bank Group, has announced the launch of the Pacific Microfinance Initiative to improve access to basic financial services, particularly for women and rural households, in Papua New Guinea, Timor-Leste and the Pacific Islands. The four-year initiative is funded with the Australian-dollar equivalent of USD 11.1 million, including USD 8.55 million from the Australian government. August 30. 2010

Vietnam Issues First Microfinance License

The TYM (Tao Yeu May) Fund, a Vietnamese financial institution founded by the Vietnam Women's Union to help implement the national government's poverty alleviation program, reportedly has become the first microfinance institution licensed by the State Bank of Vietnam. While subjecting TYM to regulatory requirements, this status also allows TYM to accept savings, obtain capital from other financial institutions and receive unspecified support from the government. As of 2009, TYM reports assets of USD 11.9 million, a gross loan portfolio of USD 9.8 million and 40,000 active borrowers. August 30. 2010

India's Karnataka State Creates Minister-level Microfinance Post

Lakshmana Sangappa, Minister for Cooperatives of the Indian state of Karnataka, recently announced that his government is planning to create a new Minister of Microfinance post. According to Mr Sangappa, legislation is also being drafted to regulate pawn brokers and moneylenders. Further details have not been released. August 30. 2010

Pakistan Fund Launches Microcredit Program for Disabled

As part of a five-year, USD 30.5 million program funded in 2006 by the UN's International Fund for Agricultural Development, the governmental Pakistan Poverty Alleviation Fund has implemented an initiative for persons with disabilities that includes adaptive devices, building modifications, business training and microcredit. The USD 156,000 program, which includes USD 75,000 for microloans, was rolled out in the Pakistani districts of Quetta, Khairpur and Swat in April and is soon to be expanded to Abbottabad, with the aim of serving a total of 300 people. August 30. 2010

A Call for the Private-sector to Support Microfinance in Turkey

Burcu Guvenek Arasli, a lecturer at Turkey's Middle East Technical University, recently argued in the *Hurriyet Daily News* that the significant number of unemployed women and of small and medium-sized enterprises in Turkey translates into strong demand for microfinance. She cites the lack of both public awareness and an appropriate regulatory framework as primary obstacles to the growth of the sector. Ms Arasli also calls on the domestic private sector to provide more funding and support to existing microfinance schemes. August 27. 2010

Zambia Extends Plan for Financial Infrastructure

Dr Situmbeko Musokotwane, the Zambian Minister of Finance and National Planning, recently announced that Zambia would extend its five-year financial sector development plan, which had originally been slated to expire in 2009, to 2012 in an effort to build better financial infrastructure for all income groups. Part of the effort involves creating a legislative framework to regulate and supervise rural banks and microfinance institutions. August 27. 2010

IFC Loans \$1.1m to FinTerra of Mexico

The World Bank Group's International Finance Corporation has announced that it will provide FinTerra, a Mexican financial institution that focuses on the agricultural sector, with a local-currency credit line equivalent to USD 1.18 million and technical assistance aimed at increasing its ability to serve lower- and middle-income borrowers. As of 2007, FinTerra had total assets of USD 42.7 million. August 27. 2010

Ibdaa Microfinance Bank Launched in Syria by AGFUND

Ibdaa Bank has been launched in Syria with the support of the Arab Gulf Program for United Nations Development, a funding organization based in Saudi Arabia. Nonprofit Ibdaa is to be operated jointly by the private, civil and government sectors and is slated to offer both traditional and Shariah-compliant financial services. August 27, 2010

SunGard to Support Mifos Technology Platform

Grameen Foundation, a US-based nonprofit, recently announced that SunGard, a global software and technology company, will dedicate a team of technology and consulting professionals to provide support to developers and users of Grameen's Mifos platform, a microfinance institution (MFI) management software package available both as an online, hosted service and as open-source, downloadable software. Mifos is reportedly used by MFIs to serve 800,000 clients. August 27, 2010

Microfinance Becoming Asset Class?

Citing the close of microfinance fund manager BlueOrchard's USD 195 million Private Equity Fund, finance writer Denise Bedell-Bleeker recently argued on the CFOZone website that, "The knock-on effect is that as the industry as a whole becomes more standardized, with stronger, regulated and rated institutions, this should attract more investment and help turn microfinance into a recognized asset class, which in turn is good news for small businesses..." August 27, 2010

Allianz Expanding Savings-linked Microinsurance to Indonesia

Global insurer Allianz will soon test a savings-linked microinsurance product in Indonesia that is likely to mirror the one offered in India by Allianz affiliate Bajaj Allianz in partnership with Indian microfinance institution SKS Microfinance. The Indian policy involves paying in a set amount every week, with beneficiaries collecting the payout should the policyholder die. If the holder does not die within the specified time period, he or she collects the premiums plus interest. Since its launch in 2008, the Bajaj Allianz product has been purchased by 2.5 million customers. Based in Germany, Allianz, which also offers microinsurance in Egypt, Colombia, Cameroon and Senegal, reports total assets equivalent to USD 742 billion. August 26, 2010

South Africa Nudging Microinsurers Toward Regulatory System

The South Africa Treasury and Financial Services Board recently announced it will introduce legislation offering lower capital requirements and reduced regulation to informal insurance operators that enter the regulatory system. Enforcement will be strengthened against those that choose to remain unlicensed. The new framework will also support the provision of low-cost standard insurance products similar in nature to Mzansi bank accounts, which were developed by South Africa's Financial Sector Charter to meet the needs of the unbanked population. August 26, 2010

Association of MFIs of Kenya Agrees to Suppress "Profit Greed"

The 43 members of the Association of Microfinance Institutions of Kenya (AMFI) have unanimously agreed to follow a set of rules focused on governance, accountability and poverty eradication above "profit greed." AMFI's Chairperson, Dr Jennifer Riria, expressed a "growing concern" over mission shift in the industry away from poverty eradication and toward profiting from the poor. AMFI members report serving a total of six million clients and holding an aggregate outstanding loan portfolio equivalent to USD 303 million. August 26, 2010

UN, Central Bank of Nigeria to Pen 5-year Microfinance Plan

The UN Development Programme and UN Capital Development Fund are providing support to the Central Bank of Nigeria to develop a 5-year microfinance development strategy. Details remain few at this time. August 25, 2010

World Bank, CFI Host Discussion on Finance for Disabled People

The Center for Financial Inclusion of US-based nonprofit ACCION International and the World Bank's Global Partnership for Disability and Development recently hosted a roundtable discussion titled "A New Financial Access Frontier: People With Disabilities." While microfinance experts expressed concern that lending to disabled people must be sustainable and based on sound business principles, parallels were drawn to the inception of microfinance, when critics argued that poor people could not repay loans. August 25, 2010

Southern Sudan Seeks to Expand Microfinance Industry

At the recent "First Southern Sudan Microfinance Conference," which was announced in the August issue of this newspaper, practitioners discussed the need to expand the regional microfinance industry by focusing on "building capacity and listening to clients." Inadequate physical and legal infrastructure and the low financial literacy and technical competency of both customers and staff were identified as obstacles to expansion. August 25, 2010

European Microfinance Award Deadline Extended 30 Days

The deadline to apply for the 3rd European Microfinance Award - worth the equivalent of USD 122,000 - has been extended to September 30, 2010. August 24, 2010

CAF Finances \$5m in Local-Currency for MSMEs in Bolivia

The Andean Development Corporation (CAF en español) recently announced the implementation of a local-currency financing program worth USD 5 million to serve micro-, small and medium-sized enterprises in Bolivia via loans to microfinance institutions that will carry terms of up to three years and semi-annual repayment schedules. With total assets of USD 15.9 billion, CAF is a Venezuela-based multilateral finance institution owned by 16 countries and 14 private banks from Latin America, the Caribbean, Spain and Portugal. August 24, 2010

IDB to Guarantee \$5m for Supply Chain Financing in Mexico

The Inter-American Development Bank (IDB), a multilateral finance institution serving Latin America and the Caribbean, has agreed to provide a partial credit guarantee of USD 5 million to Agrofinanzas, a Mexican institution focused on supply chains, to support small-scale sunflower producers. The guarantee is part of an effort in which Agrofinanzas will provide loans to 850 farmers, IDB will provide a partial credit guarantee to mitigate Agrofinanzas' credit risk and Sabritas, a Mexican unit of global food and beverage company PepsiCo, will provide technical assistance to the farmers and purchase the sunflower oil produced. August 23, 2010

Oikocredit Invests \$5m in East Asia

Oikocredit, a Dutch cooperative investment fund, recently reported to MicroCapital that it has issued the following local-currency loans to four microfinance institutions: the equivalent of USD 1.94 million to Thaneakea Phum (Cambodia) Limited, which reports total assets of USD 28.3 million, a gross loan portfolio of USD 17.5 million and 91,000 active borrowers; USD 1.9 million to the Capital Aid Fund for Employment of the Poor of Vietnam, which reports assets of USD 29.8 million, a gross loan portfolio of USD 28.3 million and 134,141 active borrowers; the equivalent of USD 609,000 to the TYM Fund of Vietnam; and USD 538,000 to Alalay Sa Kaunlaran Incorporated of the Philippines. August 23, 2010

State Bank of Pakistan Revises Microfinance Strategy

The State Bank of Pakistan, the country's central banking authority, recently announced that it is devising a new microfinance strategy focused on financial inclusion, growth, partnerships and infrastructure development. August 23, 2010

Likely Managers Surface for Spandana Sphoorty IPO

Spandana Sphoorty Financial Limited, a microfinance institution based in India, is reportedly likely to hire three global firms to manage its upcoming initial public offering: JM Financial Limited, an integrated financial services group based in India, and two US-based international financial services companies, Citigroup and Morgan Stanley. Spandana, which is reportedly seeking to raise the equivalent of USD 400 million, reports total assets of USD 647 million, a gross loan portfolio of USD 474 million, 3.6 million borrowers, return on assets of 8.99 percent and return on equity of 55.7 percent. August 23. 2010

Standard Chartered Arranges \$10m in Commercial Paper for SKS

Standard Chartered, an international bank headquartered in London, recently reported to MicroCapital that it has arranged a USD 10 million, one-year commercial paper issuance for India's SKS Microfinance, which was subscribed to by an unnamed mutual fund. As of March 2009, SKS reports 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 23. 2010

Oikocredit Loans \$3.9m in Tajikistan, Kyrgyzstan

Oikocredit, a Dutch fund with USD 665 million in total assets, recently reported to MicroCapital the details of the following loans: the local-currency equivalent of USD 1.8 million to IMON International LLC of Tajikistan, which reports assets of USD 37.2 million, a gross loan portfolio of USD 29 million and approximately 26,600 borrowers; the local-currency equivalent of USD 1.5 million to First MicroCredit Company of Kyrgyzstan, which reports total assets of USD 8.8 million, a gross loan portfolio of USD 8.8 million and 11,987 active borrowers; and USD 650,000 to Credit Union ABN of Kyrgyzstan, which reported total assets of USD 1.2 million as of 2007. August 23. 2010

CGAP Launches Financial Inclusion Regulation Center

CGAP (Consultative Group to Assist the Poor), a Washington-based policy and research center, recently announced the launch of its Financial Inclusion Regulation Center, an online database of news and information on national regulatory environments at: http://www.cgap.org/p/site/c/regulation_center/. August 20. 2010

responsAbility Funds Invest \$3.8m in Latin America

Switzerland-based responsAbility Social Investments has reported to MicroCapital that funds it manages have made five fixed-rate, two-year loans to three microfinance institutions. Microfinanz-Fonds loaned USD 500,000 at an interest rate of 8.5 percent to Fondo de Desarrollo Comunal (Fondecó) of Bolivia, which reports the equivalent of USD 15.1 million in assets. The Global Microfinance Fund loaned USD 1.25 million at an interest rate of 8 percent to the Fundación para el Desarrollo Microempresarial (D-Miro) of Ecuador, which reports assets of USD 23.6 million. Microfinanz-Fonds loaned USD 750,000 to D-Miro under the same terms. The Global Microfinance Fund loaned USD 830,000 and Microfinanz-Fonds loaned USD 430,000 at 12 percent interest in local currency to Consejo de Asistencia al Microemprededor of Mexico, which reports assets of USD 49.4 million. August 17. 2010

Gambia, AfDB to Create \$1m Microfinance Fund

Gambia's Entrepreneur Promotion and Microfinance Development Project, which was established by the African Development Bank and the government of Gambia, is reportedly working to create a local-currency microcredit fund worth USD 1 million for funding non-bank financial institutions and supporting the creation of a regulatory environment specific to microfinance. Funding preference will be given to those institutions that target poor people; women; youth; rural areas; and micro-, small and medium-sized enterprises. August 17. 2010

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and Stuart Rutherford
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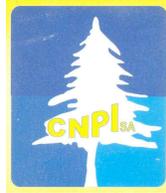
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MEET THE MICROBANKER

Francis Njung serves as Research and Development Officer of Caisse Nationale Pour la Promotion de l'Investissement SA

Francis Njung

Caisse Nationale Pour la Promotion de l'Investissement SA (CNPI) is a registered savings and credit cooperative with 14 branches in Cameroon. CNPI reports 11,000 clients and USD 1.7 million in total assets as of 2008.

MicroCapital: What services does CNPI provide?

Francis Njung: CNPI provides microcredit and savings accounts to its clients. It also provides local money transfers. CNPI used to carry Western Union but the charges weighed too heavily on the MFI [microfinance institution]. Loans are given to individuals, groups, NGOs and small-business persons.

MC: What differentiates CNPI from its competitors?

FN: CNPI is different from its competitors in that it does a mix of commercial and social business. While it disburses the salaries of military persons and some business entities, it does care predominately for the poor. Out of its 14 branches, we have 12 in rural and suburban settings including several that serve Hausa people in the northern part of the country who are known for cattle rearing and are heavily discriminated against. Over the past 10 years or so, CNPI has received only one donation. It was about USD 100,000 from the Canadian government and was supervised by them for two years.

MC: What in your background has led you to this work?

FN: I've just been with CNPI now for two years. I worked in a classic bank after high school and read development economics at the University of Minnesota [in the United States], which gave me some clear ideas of what development is all about.

MC: What have been CNPI's greatest successes and challenges?

FN: Its greatest success has been the miracle of sustaining itself despite greatly reduced capital reserves. The demand for its services keeps increasing, and demand is rarely fulfilled. We are able to meet just above 70 percent of the loan amounts for which clients qualify.

CNPI's basic challenge is the need to recapitalize because its customer base is growing at a geometric rate. It is hard to meet the constant demand for credit given the constricted global financial climate. We also could use technical assistance with technologies like mobile money and instant credit. If CNPI can recapitalize significantly, that will allow for the disbursement of longer-term loans. With about 10,000 customers and growing, the road ahead will be long without any foreign partner or assistance. The stress on CNPI's reserves during pay periods is quite remarkable!

Another new challenge is the recent decree by the Committee of Banking Supervisors of West and Central Africa that all banks must have a minimum deposit with the central bank of USD 20 million (with a possible lower requirement of USD 5 million for microfinance institutions). In light of the insecure global financial climate, this decision was intended to help these institutions withstand possible future financial shocks.

Lastly, financial reporting from CNPI's remote branches is done manually and sometimes over the phone, which is less than satisfactory. With technology growing cheaper, all branches - no matter how remote they may be - need an antenna so they can go online to submit data to the analysts in the home office. In short, we need integrated information systems both horizontally and vertically so management can make decisions based on the right data.

MC: What is the organization planning for the future?

FN: Given sufficient financing, CNPI would expand to serve all 10 regions of the country, sponsor some long-term projects like the building of low-cost housing, enter into animal husbandry and grant sustainable loans to small and medium-sized businesses. New innovations like mobile money, medical loans, instant credit and the financing of farmer groups are options that could be explored.

Microfinance is the way to go here in Cameroon and in other parts of Africa because we have seen lives changed completely just by making loans of say USD 1,000 to micro- and small-business persons. Low-end military persons often borrow about USD 3,000 to USD 4,000 repayable say in 24 to 36 months. Most of these loans are covered by local insurers, but we get complaints about the cost of the insurance.

Given sufficient financing, CNPI would expand to serve all 10 regions of the country, sponsor some long-term projects like the building of low-cost housing, enter into animal husbandry and grant sustainable loans to small and medium-sized businesses.

The crux of the matter is that in general MFIs need infusions of capital, but the main roadblock is coming up with the right guarantees, which usually results in them not getting the capital they need. With about 70 percent of the population classified as poor, you can imagine that there is a very big market out there. Partnerships with some prime banks is helpful, but not good enough because of their commercial motives.

The World Bank, African Development Bank, IFC [International Finance Corporation] and a whole host of multilateral agencies like the EU need to act as guarantors to support MFIs. These development agencies need to encourage Wall Street firms like Morgan Stanley to come down to Main Street if poverty is to be completely eradicated through sustainable development and growth. So much time has passed, and yet the Millennium Development Goals are still just a dream for a good majority. 🇳🇮

EDITORIAL

Everything that Glitters in Peru Is Not Gold

Alas Peru. In response to a recent post that I wrote on the Financial Access Initiative's blog hypothesizing about the causes of the recent liquidation of Banex, a former microfinance star in Nicaragua, a Peruvian colleague wrote back: "Many [of these] causes are also part of many MFIs' [microfinance institutions'] problems in Peru.... I wonder if the market, the superintendence and funders are aware." The comment piqued my interest because I have suspected this for some time. Last year, I visited Peru a number of times and was surprised by the money sloshing around the sector in a year that proved tough on many MFIs worldwide.

And the party isn't over. Loan portfolios continue to grow - by an expected 20 percent in 2010. I would caution against ignoring the numbers behind this growth, however. CMAC Arequipa's loan portfolio, for example, grew 90 percent between 2007 and June 2010; yet the average loan balance increased 35 percent while the number of active borrowers grew by only 41 percent. During the same period, Mibanco, whose loan portfolio surpassed the USD 1 billion mark last year, showed spectacular loan portfolio growth of 136 percent. However, this occurred with a 74-percent increase in loan size and only a 35-percent increase in borrowers.

During the year ending June 2010, Peru's gross domestic product grew 12 percent - one of the world's highest rates. Foreigners are taking notice. This month, the British newspaper *Financial Times* stated that foreigners held 20 percent of Peruvian local-currency bonds in June. Money is similarly flowing to MFIs in Peru, helping to fuel portfolio growth. But is a bubble boiling? Elvis Alva, one of EA Consultants' new Advisory Board members (and no relation to the King of Rock and

Roll), has just moved back to Peru. He reports, "People are dreaming; there is no sense that this bubble will pop in the near term, so no innovation takes place. All we can do is hope that the economy doesn't sour." That's an ambitious hope for a country with a history of hyperinflation, hyper-recessions, hyper-weather, hyper-political conflict and now - hyper-optimism.

Consumer confidence is at a peak, fueled by the momentum created by strong mineral exports during the past four years. This year, mineral prices have slumped, and ongoing growth has been on the back of consumption, including a housing boom. Peru's central bank seems spooked and has sent signals that the boom is vulnerable, for example to climatic events. If today's loans are financing consumption rather than tomorrow's growth, there is cause for concern. When MFIs don't compete on price or service, but on volume, there is no incentive to innovate, reduce costs or create efficiencies. There is even less incentive to spend profits on training and business development services to help support the growth of the small businesses to which the MFIs are lending. Yet this is exactly what needs to be done in the good times to prepare for the bad times that may come in the future. On October 8, at the Inter-American Development Bank/Multilateral Investment Fund's annual Foromic Conference, I will be speaking on a panel about the growth of businesses run by MFI's customers. I invite you to join the discussion and bring new ideas to the table.

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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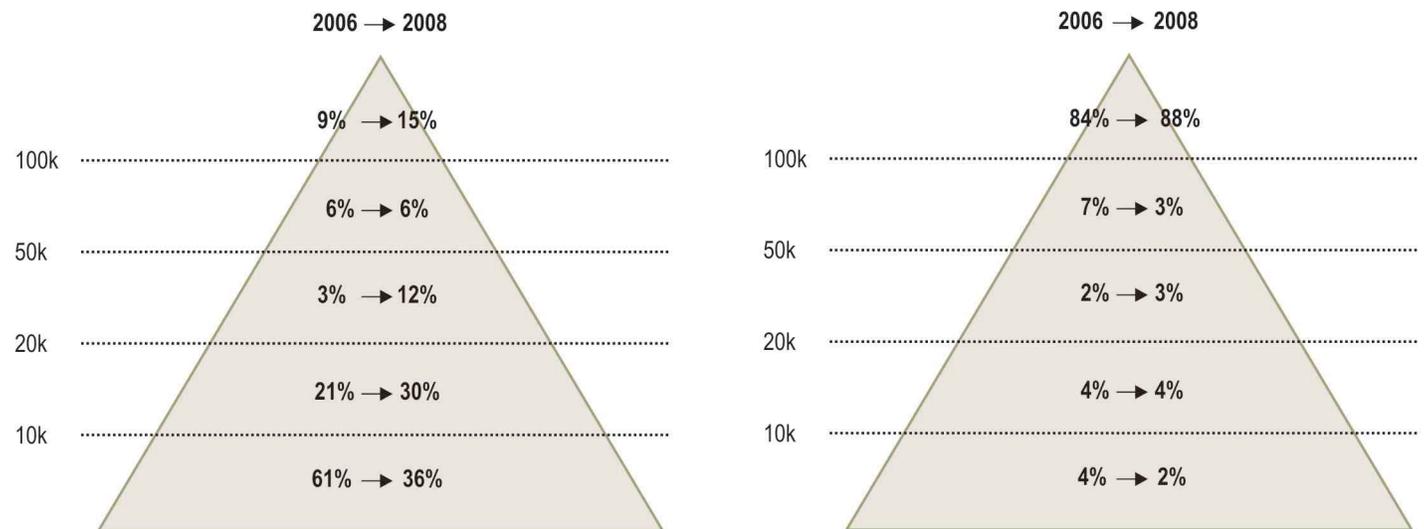
MICROCAPITAL MARKET INDICATORS | MEXICO

33 MFIs REPORTING¹

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

MFIs NAME	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2006	2008
Banco Compartamos S.A. Institución de Banca Múltiple	71,711,259	24	271,111,104	414,533,623
Financiera Independencia	61,905,127	27	199,678,432	323,488,687
Caja Popular Mexicana	51,900,809	5	941,708,288	1,045,509,906
Eurekasoli S. A. de C.V.	20,611,025	214	4,656,159	45,878,208
Apoyo Economico Familiar S.A. de C.V.	14,461,478	257	2,469,722	31,392,679
CAME	6,708,082	41	13,641,614	27,057,778
ASP Financiera	5,113,007	65	5,962,314	16,188,328
Servicios Financieros Comunitarios	4,297,629	15	27,113,824	35,709,081
FINCA Mexico	4,081,362	23	16,208,116	24,370,839
Soluciones Financieras S.C.	2,684,424	72	2,734,359	8,103,208

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., September 2010, based on MFIs reporting to MBB or MIX Market.

UPCOMING EVENTS

Mitigating Cost of Access to Finance for MSEs in South Africa

September 29 – September 30, 2010, Pretoria, South Africa
The event will focus on cutting costs of financial services including interest, fees, compliance and opportunity and social costs. The fee to attend is ZAR 4,800, and details are available via <http://www.rbi-ssa.org/>, centremf@up.ac.za or + 27 12 420 2658.

The Global MicroInsurance Summit

September 29 - October 1, 2010, London, UK
Topics will include technology, financial viability, process engineering, partnerships and index-related insurance policies. Registration fees range up to GBP 1399 with a discount for MicroCapital readers citing the code "20% MicroCapital." More information is available via +44 20 7878 6886, enquiries@c5-online.com or <http://www.c5-online.com/microinsuranceUK/>.

Toronto Microfinance Conference

October 1 - October 2, 2010, Toronto, Canada
Co-hosted by 23 microfinance organizations, this event comprises a "micro ball" gala on October 1 with a registration fee of CAD 350 and the "micro way" conference on October 2 with a fee of CAD 75. Although no telephone number is offered, more details are available at <http://www.microfinanceconference.ca/> or info@microfinanceconference.ca.

Social Capital Markets (SOCAP10)

October 4 - October 6, 2010, San Francisco, USA
The purpose of SOCAP10 is to discuss "the channeling of capital to small and medium-sized enterprises." 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 at <http://www.socialcapitalmarkets.net> or info@socialcapitalmarkets.net.

Fifth Annual Azerbaijan Microfinance Conference

October 5 - October 6, 2010, Baku, Azerbaijan
This event will offer access to investors and cover governance, risks and client protection. Fees range from AZN 200 for Azerbaijan Micro-finance Association members and USD 350 for international delegates. More information is available via amfa@amfa.az, + 994 12 437 16 45 or <http://www.amfaconference.com>.

AFMIN's Ninth Annual Microfinance Conference

October 5 - October 9, 2010, Accra, Ghana,
The Africa Microfinance Network invites you to strategize boosting access to finance for low-income households in Africa. The fee to attend is USD 500. More details are available via +229 21 30 74 41, afmin@afminetwork.org or <http://www.afminetwork.org/>.

Microfinance Investment Summit

October 6 - October 7, 2010, London, UK
The event covers meeting social objectives and increasing returns. The standard registration fee is GBP 1,499 with add-ons and discounts available, including for MicroCapital readers using the code "20% MicroCapital." Details are 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.

MicroInsurance Congress 2010

October 12 - October 14, 2010, London, UK
The event will cover product, distribution, finances and risk and actuarial practices. The base registration fee is GBP 1,644 including VAT, with add-on workshops and discounts available including 10 percent off for MicroCapital readers. For more information you may contact Nadia Ahmed at +44 20 7017 7702, custserv@infoline.org.uk or <http://www.infoline.org.uk/microinsurance>.

2010 Asia Microfinance Forum

October 12 - October 15, 2010, Colombo, Sri Lanka
To be held concurrently with an investment marketplace on October 14, this event will cover how the sector can increase capacity to scale up operations. The full registration fee is USD 500, with discounts available. Details may be had via +65 6438 4112, <http://www.asiamicrofinanceforum.org/> or info@asiamicrofinanceforum.org.

Microfinance Impact and Innovation Conference

October 21 - October 23, 2010, New York, USA
Hosted by a group of nonprofit, academic and for-profit organizations, this event is an opportunity for microfinance researchers and practitioners to meet and discuss microfinance innovation and research. The standard registration fee is USD 800, with a nonprofit rate of USD 400. For details, you may refer to <http://poverty-action.org/2010microfinanceconference>, +1 203 772 2216 or contact@poverty-action.org.

Innovation in Microfinance

October 26 - October 27, 2010, Washington, DC, USA
Chaired by David Satterthwaite, the founder of MicroCapital, this event will include an award ceremony and will focus on new product innovation, distribution channels and investors entering the market. The base fee to attend is USD 2149 with discounts for certain groups and add-on workshops available. More information is available from Liz McAleer at +1 212 537 5898, info@hansonwade.com or <http://www.hansonwade.com/events/mfsworld-washington/>.

2010 SEEP Annual Conference

November 1 - November 5, 2010, Arlington, Virginia, USA
Concurrent with an annual meeting only for Small Enterprise Education and Promotion members, this event includes two days each of workshops and training on risk, social performance and increasing the growth and social impact of microenterprise development. Registration fees range from USD 1,045 to USD 1,385 with member discounts available. For more information, you may visit <http://www.seepnetwork.org> or contact Lindsey Longendyke at +1 202 534 1404 or annualconference@seepnetwork.org.

MORE DETAILS COMING SOON ON...

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 & Awards 2010

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

Microfinance 2.0: Going Beyond Microcredit

November 15 - November 17, 2010, San Francisco, USA

Microfinance Investment Summit

December 2 - December 3, 2010, Hong Kong, China

International Impact Investing Summit 2010

December 2 - December 3, 2010, New York, USA

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PAPER WRAP-UPS

Microfinance Synergies and Trade-offs: Social versus Financial Performance Outcomes in 2008

By Adrian Gonzalez, published by the Microfinance Information Exchange (MIX), August 2010, 15 pages, available at: <http://www.themix.org/sites/default/files/MIX%20Data%20Brief%207.pdf>

The author conducted an econometric analysis to investigate whether there is a tradeoff between social performance and financial performance among microfinance institutions (MFIs) that reported data to MIX for 2008. He used data from 200 MFIs reporting social performance data and 1600 MFIs reporting financial performance data. The social performance indicators used are those employed by the Social Performance Task Force (SPTF).

The data indicate that investments in human capital are correlated with higher staff productivity and better portfolio quality, but these same investments in human capital are correlated with lower efficiency. He found these correlations to hold true regardless of loan size. He also found that targeting mostly very poor borrowers increases the cost to borrowers by an average of 2 percent due to the cost of outreach.

Mr Gonzalez also found that rural MFIs have higher rates of productivity and efficiency than urban MFIs and posits that this may be because rural MFIs, contrary to popular belief, are not always more spread out geographically than urban MFIs. Therefore, travel time and travel costs for loan officers may actually be lower for rural MFIs. He also found that the seeking out of poorer clients is related to lower productivity and efficiency, since targeting policies tend to create extra costs for MFIs.

The author makes several recommendations for the improvement of SPTF indicators. He suggests that the SPTF questionnaire for MFIs should be more detailed and expanded from its current “yes/no” format. He also comments that the current questionnaire does not separate general policies related to staff such as appraisal and general training from policies focused solely on social performance such as social-performance-specific training. He recommends that a new questionnaire separate these two factors, since it is unlikely that an MFI would offer social performance policies without general policies, such as training and appraisal, already being in place. The effects of social performance policies could then be analyzed separately from the effects of general policies.

It's Time to Address the Microsavings Challenge, Scalably

By Bob Christen and Ignacio Mas, published by Practical Action Publishing, December 2009, 20 pages, available at: <http://www.microfinancegateway.org/gm/document-1.9.45939/Meeting%20the%20microsavings%20challenge.pdf>

The authors of this paper argue that microsavings will not only expand the livelihoods of poor people, but will help microfinance institutions (MFIs) secure a stable source of funding. Citing the recent global credit crisis, the authors argue financial institutions that offer savings services were largely unaffected because they rely less on international investment funds and local banks. They suggest that since MFIs have already mobilized large numbers of borrowers, they can easily benefit from simply offering the savings service to existing customers.

Concerning the challenges of deposit-taking institutions, the authors contend that MFIs must be able to capture the savings where the money is earned, because poor people are unable to regularly travel to deposit money at distant branches. Because new infrastructure is costly, the authors propose that MFIs leverage existing retail outlets. For this to be a viable solution, the authors note that a common, secure technology platform is necessary, through which transactions can be authorized and recorded in real time. Rather than approaching retail outlets individually, the authors suggest that MFIs tap into existing distribution channels.

Noting that distribution channels such as postal services are not always reliable, the authors suggest turning to mobile operators as business correspondents. They argue that “mobile operators ought to be allowed to run the payment and account management platforms on behalf of banks, leveraging their experience with handling low-value, high-volume prepaid platforms.” The authors propose creating special licenses for mobile operators on the condition that they invest all deposits in low-risk liabilities issued by the government or regulated banks, maintain a high ratio of liquid assets and submit themselves to supervision on technical and operational risk. Citing the success of mobile payment service M-PESA of Kenya, the authors argue that there is already strong customer demand for the service.

The authors claim that if MFIs are able to adopt this new business model, they will create two parallel banking channels. One of these, being indirect and solely handling cash, will allow bank branches to focus more on customer service and financial education.

Non-bank E-money Issuers: Regulatory Approaches to Protecting Customer Funds

By Michael Tarazi and Paul Breloff, published by CGAP (Consultative Group to Assist the Poor), July 2010, 12 pages, available at: <http://www.cgap.org/p/site/c/template.rc/1.9.45715/>

The authors introduce mobile network operators (MNOs) as common partners for microfinance institutions (MFIs) working to expand financial access through the use of mobile phones. While most MNOs that assume the role of “non-bank e-money issuers” claim to solely conduct money transfer services, the authors state, “Regulators are often reluctant to permit MNOs to directly contract with customers for the provision of financial services. Taking money from the public, even for purposes of effecting payment rather than for saving, is uncomfortably close to accepting public deposits – an activity almost always reserved for prudentially regulated financial institutions.”

The authors consider two regulatory approaches to non-bank e-money issuers: “fund safeguarding,” the requirement that issuers maintain unencumbered liquid assets equal to the amount of issued electronic value, and “fund isolation,” the requirement that the funds underlying issued e-money be insulated from institutional risks, such as claims by creditors in the case of issuer bankruptcy.

While safeguarded funds are most commonly maintained in a regulated bank, the authors raise the concern that “in countries with weak banking sectors there is the risk of bank failure coupled with the possibility that no deposit insurance exists.” Furthermore, “even where deposit insurance exists, the value of pooled accounts held by non-bank e-money issuers is typically much larger than deposit insurance coverage limits.”

The authors also note that even if funds are maintained in insured, commercial banks, the accounts are usually held in the name of the issuer, not the customers, making the funds vulnerable to claims by the issuer’s creditors if the issuer goes bankrupt or if accounts have been used as collateral to secure debt.

Efforts to counter these difficulties include M-PESA’s “trust accounts” that isolate customers’ creditor claims via an account administered by a third-party trustee. In Afghanistan, when an issuer’s e-money account exceeds a specified amount, no more than 25 percent may be held at a single financial institution.

Looking ahead, the authors foresee non-bank e-money issuers delivering a full range of financial services and facing pressure to pay interest and offer deposit insurance coverage.

Why Doesn't Microfinance Work?

By Milford Bateman, published by Zed Books, June 2010, available for purchase via: <http://www.zedbooks.co.uk/book.asp?bookdetail=4343>

This book argues that, rather than fighting poverty, microfinance traps entrepreneurs in low-value-added enterprises.

Competition and the Role of External Agents: The 2009 delinquency crisis in southern Karnataka

By EDA Rural Systems and CGAP (Consultative Group to Assist the Poor), published by the Association of Karnataka Microfinance Institutions, April 2010, 39 pages available at: <http://indiamicrofinance.com/wp-content/uploads/2010/08/Karnataka-Microfinance-Report-August-2010.pdf>

At the time of the Karnataka delinquency crisis, some microfinance analysts argued that it was caused by clients borrowing excessively from multiple lenders and then finding themselves unable to pay off their loans. The resulting defaults forced some microfinance institutions (MFIs), especially those with poor client tracking systems, to reduce operations. In addition to multiple borrowing, the report cites high default and suicide rates in the Kolar District; a downturn in the silk industry in the town of Sidlaghatta; an anti-MFI edict by Muslim clerics in the town of Ramanagaram; Hindu-Muslim riots over a mosque in the city of Mysore; coercive collection practices; and gender inequality as contributing to the crisis. For example, while some male clients were supportive of their wives' use of microloans, others accused female microcredit clients of "neglecting" family duties, their silk factory jobs and Islamic law, thus exacerbating tensions between clerics and MFIs. To alleviate these pressures, the authors make three recommendations to MFIs: to better share information; to increase the loan ceiling on individual loans in order to reduce the incentive for multiple borrowing; and to reschedule loans for borrowers facing significant setbacks.

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Financial Access 2010

Published by CGAP (Consultative Group to Assist the Poor) and The World Bank Group, September 2010, 106 pages, available at: <http://www.microfinancegateway.org/p/site/m/template.rc/1.1.6522/>

This second annual survey of financial regulators reports that "despite an environment dominated by tight credit markets and slowing economies, more people in developing countries gained access to financial services in 2009." The report also expresses optimism based on the growth of financial infrastructure such as automated teller machines (ATMs) and point of sale (POS) terminals.

Highlighted statistics include:

- 2.7 billion people have no access to formal financial services;
- 65 deposit accounts were added per 1,000 adults in 2009;
- the average number of loans per 1,000 adults broadly remained unchanged between 2008 and 2009 although the aggregate loan volume as a share of GDP fell by 15.2 percent and
- one bank branch, five ATMs and 167 POS terminals were added per 100,000 adults in 2009.

2009 Arab Microfinance Report

Published by the Microfinance Information Exchange (MIX), the Sanabel Microfinance Network of Arab Countries and CGAP (Consultative Group to Assist the Poor), May 2010, 23 pages, available in English at: <http://www.themix.org/publications/2009-arab-microfinance-analysis-benchmarking-report>

This report, newly available in Arabic and French, reviews data from 54 microfinance institutions (MFIs) in 10 Arab countries. It also contains trend data covering 2006 to 2008 from 35 MFIs. Additionally, the report has a focus on the microfinance sector crisis in Morocco.

Latin America and the Caribbean Benchmarks 2009

Published by the Microfinance Information Exchange (MIX), August 2010, 20 pages, available in English at: <http://www.themix.org/sites/default/files/LAC%20Benchmarks%20Tables%202009%20EN%20%28Final%29.pdf>

Covering 2009 data from 343 microfinance institutions in Latin America and the Caribbean, this report indicates that the aggregate gross loan portfolio in the region increased 25.4 percent during the year to USD 19.6 billion and that the number of borrowers grew 10.9 percent since 2008 to 14.6 million. The report is also available in Spanish and Portuguese. 🇪🇺

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