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MicroCapital Monitor
THE MICROFINANCE NEWSPAPER

MICROCAPITAL BRIEFS | TOP STORIES

Mexico's Independencia Acquires Lenders in Mexico, US

Financiera Independencia, a Mexican microfinance lender reporting the equivalent of USD 703 million in assets, recently announced that it will acquire all of the outstanding shares of Apoyo Economico Familiar, a Mexican provider of unsecured personal loans and insurance with USD 77.6 million in total assets, and purchase a 77-percent ownership stake in Apoyo Financiero Incorporated (AFI), a microfinance lender serving the unbanked Latino community in San Francisco, California. Financial details on AFI are unavailable. The transactions will be financed with Financiera Independencia's cash reserves and existing lines of credit. January 8. 2011

KDDI Invests $22m in MFIC for Global Mobile Payment Platform

KDDI Corporation, a Japanese telecommunications company, has partnered with Microfinance International Corporation (MFIC), a US-based financial solutions provider, to jointly develop a global mobile payment platform. The partnership includes a USD 22 million investment by KDDI in MFIC intended to develop a cross-border money transfer system by combining KDDI's network of approximately 600 telecommunications carriers with MFIC's money transfer technology. The first stage of the effort involves KDDI's New Jersey subsidiary, Locus Telecommunications Incorporated, launching a stored-value card in the United States that enables customers to transfer money overseas. January 6. 2011

Yes Bank Recalls Over $22m in Loans in India; MFIs Plan Litigation

Amid continuing uncertainty in the Indian microfinance sector, Yes Bank Limited, a private bank based in Mumbai, has reportedly recalled the equivalent of USD 22.2 million in loans it advanced to microfinance institutions (MFIs) Ujjivan Financial Services and Equitas Micro Finance India, asking them to have repaid their outstanding balances to Yes by December 31, 2010. Other microlenders received similar requests, with a representative of Spandana Sphoorty Financial Limited reporting that Yes also raised interest rates on the loans it made to Spandana from 12 percent to 17 percent and cut the term of multiple loans from two years to approximately one year. Several of the affected MFIs, including Spandana, have announced that they will be taking legal action against Yes, arguing that changing the terms of the loans is unjustified because the MFIs have not missed payments on their loans. Some MFIs have, however, requested that other banks postpone the MFIs' repayment schedules by six months. Please refer to page 6 for a related story involving the State Bank of India. December 27. 2010 and January 5. 2011

Asian Development Bank Launches $250m Microfinance Risk Participation Program

The Asian Development Bank (ADB) recently approved the USD 250 million "Microfinance Risk Participation Program" to increase microfinance lending in its member countries including Bangladesh, Indonesia, Sri Lanka, Thailand and Vietnam. The program will enable ADB to accept up to 50 percent of the default risk of loans disbursed by banks to microfinance institutions. December 22. 2010

FMO Commits $7m to MSME Fund for Sub-Saharan Africa

The Netherlands Development Finance Company (FMO), a Dutch public-private partnership that aims to improve developing economies, has committed USD 7.5 million to the Regional MSME Investment Fund for Sub-Saharan Africa (REGMIFA), a Luxembourg-based fund that currently holds stakes in eight institutions serving micro-, small and medium-sized enterprises (MSMEs) in Africa. REGMIFA was launched in May 2010 by German development bank KfW and the German Ministry for Economic Cooperation and Development (BMZ). December 21. 2010

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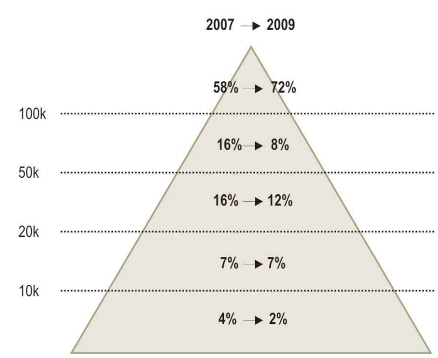
MicroCapital

PHILIPPINES
MFI MARKET SHARE TRENDING 2007 TO 2009
BY MFI SIZE (NUMBER OF ACTIVE BORROWERS)



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MICROCAPITAL BRIEFS

EFSE Loans $10m to Megabank of Ukraine

The European Fund for Southeast Europe, a microfinance investment vehicle reporting the equivalent of USD 775 million in outstanding loans, recently loaned USD 10 million to Megabank of Ukraine, which reports assets of USD 394 million. January 13. 2011

responsAbility Loans $10m to FINCA Affiliates

responsAbility Social Investments of Switzerland recently reported to MicroCapital that microfinance investment vehicles it manages disbursed loans to four affiliates of FINCA International, a network of microfinance institutions that report total assets of USD 466 million. FINCA Azerbaijan borrowed USD 5 million, FINCA Mexico borrowed the local-currency equivalent of USD 2.2 million, FINCA Russia borrowed the local-currency equivalent of USD 2 million and FINCA Ecuador borrowed USD 1 million. January 13. 2011

CreditEase of China Specializes in Online Loans

CreditEase, a Chinese financial services firm, has launched an online referral engine that allows investors to loan as little as the equivalent of USD 15 through partnerships with merchants, universities and microfinance institutions. Through http://www.creditease.cn/, investors can lend indirectly to students and consumers, earning interest of up to 10 percent per year. At http://www.yinongdai.com/, investors can earn 2-percent interest lending to rural women via microlenders. CreditEase mitigates investor risk by diversifying loans among multiple borrowers and funding a segregated account to cover losses. January 12. 2011

MIF, SEP Loan $4.1m in Latin America

The Inter-American Development Bank (IDB) recently provided MicroCapital with a report on loans made during 2010 jointly through the Multilateral Investment Fund (MIF), which is administered by IDB, and the Social Entrepreneurship Program, which is administered by MIF. The largest two are described here; for details on the other three, please refer to http://www.microcapital.org/. Fondo de Desarrollo Comunal (FONDECO), a Bolivian NGO established in 1995 that reports total assets of USD 12.5 million, borrowed USD 1 million. The peso-equivalent of USD 1 million was disbursed to Alternativa Solidaria Chiapas, a Mexican microfinance institution that reports total assets of USD 5.5 million and return on assets of 19.1 percent. January 12. 2011

responsAbility Loans $12.5m in Mongolia, Belarus

responsAbility Social Investments has reported to MicroCapital that microfinance investment vehicles that it manages disbursed loans totaling USD 6 million to Khan Bank of Mongolia, which reports assets of USD 1.1 billion; USD 4.5 million to XacBank, which is also based in Mongolia and reports assets of USD 223 million; and USD 2 million to the Belarusian Bank for Small Business, which reports a loan portfolio of USD 19.8 million. January 12. 2011

MIF Invests $8.6m in Debt and Equity in Latin America

The Inter-American Development Bank (IDB) recently provided MicroCapital with a report on investments made during 2010 by the Multilateral Investment Fund (MIF), which is administered by IDB. Among the largest of these were two equity investments of USD 1.5 million, one each in Banco ProCredit Honduras, which is a member of the 21-country ProCredit Holding Group, and enConfianza Microfinanciera of Mexico, which reports an active portfolio of USD 7.18 million and 6,900 clients. ProCredit Honduras reports total assets of USD 49.6 million, a gross loan portfolio of USD 30.5 million, 11,000 active borrowers, return on assets of -12.2 percent and return on equity of -34.08. The share of the organizations to be held by MIF were not disclosed. For details on the other investments made by MIF during 2010, please refer to http://www.microcapital.org/. January 12. 2011

responsAbility Loans $2m in Ghana, DRC

responsAbility Social Investments recently reported to MicroCapital that microfinance investment vehicles it manages disbursed loans totaling USD 1 million each to microfinance institutions First Allied Savings & Loans of Ghana, which reports total assets of USD 35.9 million, 82,000 depositors, 16,000 active borrowers and return on assets of 2.92 percent, and FINCA DRC of the Democratic Republic of the Congo, which reports assets of USD 16.5 million and is an affiliate of US-based microfinance network FINCA International. January 12. 2011

Former Directors of Havilah Microfinance Arraigned in Nigeria

Former directors of Havilah Microfinance Bank Limited, Rufus Dada Oluyole and his son-in-law Rotimi Olubowale, have been arraigned before a court in Nigeria on criminal charges of conspiracy, forgery and falsely representing themselves as directors of the bank after they no longer filled such roles. Other suspects in related malfeasance remain at large. January 11. 2011

Sri Lanka Looks to Consolidate Microfinance Regulation

A new bill being introduced to the Sri Lankan parliament would establish a dedicated authority to regulate all organizations that offer microfinance products in the country. Central Bank of Sri Lanka Governor Ajith Nivar Cabral said the new standards are intended to prevent waste and abuse of funds. January 11. 2011

Commercial Banks in Kenya Downscale

Commercial and retail banks in Kenya are responding to the increase in demand for microloans by lowering their loan minimums to compete with moneylenders and microfinance institutions. Co-operative Bank of Kenya Limited has dropped its loan minimum to the equivalent of USD 61 from USD 369, and Kenya Commercial Bank lowered its loan minimum to the same level from USD 123. Other banks offering micro-credit include Family Bank and National Bank of Kenya, which offer loan minimums as low as USD 9. Mainstream banks have also installed automated teller machines in low-income neighborhoods as part of their efforts to capture more of the low-income market. January 11. 2011

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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!

West African Development Bank Loans $3m to Kafo Jiginew

The West African Development Bank is loaning the local-currency equivalent of USD 3 million to Kafo Jiginew, a lender based in Mali, to expand its financing of local agricultural projects, including loans to cotton growers and credit unions. The loan carries a term of five years, an annual interest rate of 5 percent and a two-year grace period on repayments. Kafo Jiginew reports USD 54.2 million in assets, a gross loan portfolio of USD 34.7 million, return on assets of 0.82 percent and return on equity of 4.52 percent. January 11. 2011

MFTransparency Expands to Rwanda

MFTransparency, a US-based NGO, recently expanded its "Enabling Africa to Price Responsibly and Educate on Interest Rates" program to Rwanda to educate stakeholders in that country on interest rates in partnership with the Association of Microfinance Institutions in Rwanda. The expansion from Uganda, Kenya and Tanzania is consistent with plans announced in the November 2010 issue of this newspaper. The project is planned next to cover Ghana, Zambia, South Africa and Mozambique. January 10. 2011

Pundits Criticize Crisil Ratings of Microfinance Securities

Daniel Rozas, a microfinance consultant based in Belgium, and Vinod Kothari, a microfinance practitioner based in India, recently argued in an article published on the Microfinance Focus website that it does not make sense for rating agencies to give top ratings to securitizations of microfinance loans issued by microlenders with middling ratings. They cite the example of Crisil, a rating agency based in India and owned by US-based Standard and Poor's, giving the highest possible rating to a securitization of loans from Asmitha Microfin, an Indian microfinance institution Crisil rated at BBB, indicating it can only "offer moderate safety...for the present; however, changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal...." January 10. 2011

Asia's Leopard Takes Stake in Intean Poalroath Rongroeurng

Leopard Capital, an Asian investment management firm that invests in developing countries, recently acquired a 33-percent stake in Cambodian microfinance institution Intean Poalroath Rongroeurng (IPR) for an undisclosed sum. The investment was made through the Leopard Capital Fund, a private equity fund with approximately USD 34 billion in assets that invests in companies in Cambodia. IPR, which reports assets of USD 4.07 million, a gross loan portfolio of USD 3.23 million and 3,457 active borrowers as of 2008, will reportedly use the proceeds to expand lending and upgrade its information technology systems. January 10. 2011

Yunus Speaks Out Against Commercialization

Dr Muhammad Yunus, founder of Grameen Bank and Nobel laureate, has again spoken out against the commercialization of microfinance institutions, calling for regulatory authorities in every country where microlending takes place to enforce transparency and cap interest rates. January 10. 2011

MISFA Still Struggles After Disbursing 1.5m Loans to Afghans

Since it was established in 2003 by the Afghan government, the Microfinance Support Facility for Afghanistan has disbursed, through partner microlenders, approximately 1.5 million loans totaling USD 831 million. Although default rates are reportedly in the low single digits, the microfinance sector in Afghanistan continues to be challenged by poor security, a lack of qualified staff, restrictions on women's rights and the slow development of Shariah-compliant products. January 10. 2011

India Launches Life Insurance for Self-help Groups

The Indian government's Society for Elimination of Rural Poverty has introduced a life insurance scheme for self-help group members to cover their loan balances. The scheme requires that a premium covering the full term of the loan be paid at the time of disbursal. January 10. 2011

responsAbility Loans $13m in Paraguay, Peru

responsAbility Social Investments of Switzerland recently reported to MicroCapital that the Microfinance Leaders Fund (MLF) and Mikrofinanz-Fonds, which are managed by responsAbility, each loaned USD 5 million to Banco Continental, a commercial bank in Paraguay that reports a gross loan portfolio equivalent to USD 1 billion. In Peru, MLF and responsAbility's Global Microfinance Fund made local-currency loans equivalent to USD 2 million and USD 1 million, respectively, to Financiera Confianza, a microfinance institution reporting USD 147 million in assets, 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. January 10. 2011

Ujjivan Financial Services Sells $8.8m in NCDs to DWM

Ujjivan Financial Services, a microfinance institution headquartered in Bangalore, has raised the rupee-equivalent of USD 8.82 million through the issuance of non-convertible debentures (NCDs) to Developing World Market (Cyprus) Limited, a member of US-based social fund manager Developing World Markets. Given the recent turmoil in the microfinance sector in India, it could be argued that Gautam Verma, a director of Unitus Capital, which arranged the transaction, was a bit generous in saying the deal would "reaffirm the positive investor sentiments towards the Company and the sector in general." The NCDs are listed on the Bombay Stock Exchange. January 10. 2011

Japan, ADB Give $2.5m to Mongolia to Support Regs, TV Show

A USD 2.5 million grant from Japan's Fund for Poverty Reduction, which is financed by the Japanese government and administered by Asian Development Bank, is intended to strengthen Mongolia's Financial Regulatory Commission, which inspects all savings and credit cooperative activities, provides training for staff and offers evaluation systems. A portion of the grant is also intended to improve financial literacy in poor households through a six-part television series covering savings and other aspects of money management. January 9. 2011

responsAbility Loans $11m in Cambodia, Sri Lanka

responsAbility Social Investments has reported to MicroCapital that it made loans during December totaling USD 11.3 million to microfinance institutions (MFIs) in Asia from its Microfinance Leaders Fund and Global Microfinance Fund. PRASAC MFI Limited, of Cambodia, which borrowed a total of USD 5 million, reports a gross loan portfolio (GLP) of USD 64.4 million, return on assets (ROA) of 3.63 percent and return on equity (ROE) of 11.51 percent. Thaneakea Phum Cambodia Limited, which borrowed USD 1.5 million, reports a GLP of USD 17.5 million, total assets of USD 28.3 million, ROA of 1.46 percent and ROE of 8.29 percent. In Sri Lanka, LOLC Micro Credit Limited, the microfinance arm of Lanka ORIX Leasing Company (LOLC), borrowed USD 4.8 million. LOLC reports total assets equivalent to USD 674 million, a total loan portfolio of USD 159 million and ROE of 19 percent. January 7. 2011

Turkish Grameen Microcredit Attains $47m Loaned Since 2003

The Turkish Grameen Microcredit Program, a project of the US-based Grameen Foundation, has announced that it has disbursed the equivalent of USD 46.9 million in unsecured loans to approximately 42,000 women since its founding in 2003. As of 2009, the organization reported total assets of USD 9 million, a gross loan portfolio of USD 7.95 million and 28,314 active borrowers. January 7. 2011

responsAbility Loans $8m in Central America

responsAbility Social Investments recently reported to MicroCapital that it disbursed loans totaling USD 4.9 million from its Microfinance Leaders Fund and Global Microfinance Fund (GMF) to Mutual Cartago de Ahorro y Prestamo of Costa Rica, which holds assets equivalent to USD 348 million and offers mortgages and other financial services. The same vehicles loaned a total of USD 1 million Cooperativa Mixta Mujeres Unidas Limitada of Honduras, which reports total assets equivalent to USD 19 million. Apoyo Integral of El Salvador, which reports total assets of USD 66.5 million, borrowed USD 500,000 each from GMF and Mikrofinanz-Fonds, another fund managed by responsAbility. Lastly, Fondo de Desarrollo Local of Nicaragua, which reports total assets of USD 81 million, borrowed USD 1 million from GMF. January 7. 2011

Net Veterans Establish Shanti Microfinance Fund in India

A group of UK and Silicon Valley entrepreneurs have gathered to back Shanti Microfinance, a nonprofit microfinance fund headed by Sheetal Mehta Walsh, who was until recently the Director of Venture Capital Relations at computing giant Microsoft. Shanti intends to raise the British-pound equivalent of USD 772,000 in donations, provide entrepreneurial know-how to Indian microenterprises and loan to entrepreneurs at 12 percent interest, with the proceeds used to cover administrative costs. The goal is to fund 2,000 entrepreneurs in Vasan and Johapura in Gujarat, India, with expansion to Mumbai planned during 2011. January 5. 2011

AfDB's Migration and Development Fund Seeks Proposals

In partnership with the French Ministry of the Interior and the United Nations' International Fund for Agricultural Development, the African Development Bank recently launched the Migration and Development Fund to improve the understanding of remittance flows, lower the cost of the transfers and facilitate the use of remittances for projects in migrants' home countries. The fund is accepting applications for funding through January. January 5. 2011

Rating Agency Crisil Downgrades Five Indian MFIs

Crisil, a rating agency based in Bangalore, has downgraded its credit ratings of the following five Indian microfinance institutions, citing low repayment rates in the state of Andhra Pradesh: Bhartiya Samruddhi Finance, Equitas Micro Finance India, Spandana Sphoorty Financial, Ujjivan Financial Services and Asmitha Microfin. January 4. 2011

Incofin Makes $2m Equity Investment in India's Hope

Through its Rural Impulse Fund II, Incofin Investment Management of Belgium recently made a local-currency equity investment worth USD 2.21 million in Indian microfinance institution Hope Microcredit in return for an unspecified ownership stake. Hope reports total assets of USD 5.06 million, a loan portfolio of USD 4.47 million and 57,000 active borrowers. January 3. 2011

Grameen Credit Agricole Loans $1.8m in Indonesia, Cambodia

Grameen Credit Agricole Microfinance Foundation, a nonprofit partnership between French bank Credit Agricole and Grameen Trust of Bangladesh, recently extended three local-currency loans including the following two in Cambodia: the equivalent of USD 1 million to Thaneakea Phum Cambodia Limited, which reports a gross loan portfolio (GLP) of USD 17.5 million, total assets of USD 28.3 million, return on assets (ROA) of 1.46 percent and return on equity (ROE) of 8.29 percent; and USD 144,000 to Chamroeun Microfinance, which reports a GLP of USD 679,000 and ROA of -8.39 percent. Credit union Koperasi Mitra Dhuafa (Komida) of Indonesia, which reports a GLP of USD 2.5 million, total assets of USD 3.8 million, ROA of 1.91 percent and ROE of 9.93 percent, borrowed the equivalent of USD 667,000. January 3. 2011

Bank of Industry, Nigerian State of Ondo Disburse $13m

The Bank of Industry, which was established to promote the development of small and medium-sized enterprise in Nigeria, and the government of the Nigerian state of Ondo each have committed the equivalent of USD 6.5 million to the Micro, Small and Medium Enterprises Development Fund, which will provide wholesale funding and refinancing liquidity for microfinance institutions. The new fund is part of ongoing restructuring of the development finance activities of the Central Bank of Nigeria. January 3. 2011

Microfinance Opportunities Going Branchless in Ghana, Zambia

Microfinance Opportunities, a resource center based in Washington, DC, has chosen MTN Ghana Mobile Money and Mobile Transactions of Zambia to participate in its Consumer Education for Branchless Banking program, which seeks to promote branchless banking and strengthen the financial capabilities of youth, women and the unbanked. January 2. 2011

IFC Loans $76m to Bancpost to Support Romanian MSMEs

International Finance Corporation, the private sector arm of the World Bank Group, is providing a euro-denominated loan equivalent to USD 76.3 million to Bancpost, a universal bank established in Romania in 1991, for on-lending to micro-, small and medium-sized enterprises. Bancpost is a subsidiary of EFG Eurobank Ergasias, a banking group based in Greece with operations in 10 European countries. As of year-end 2009, Bancpost reports total assets equivalent to USD 4.6 billion and a gross loan portfolio of USD 2.1 billion. December 30. 2010

EBRD Loans $90m in Romania, Russia

The European Bank for Reconstruction and Development recently made a three-year, local-currency loan equivalent to USD 77 million to Orient Express Bank to expand lending to micro- and small businesses in Russia's Far East and a loan equivalent to USD 13 million - denominated part in euros and part in Romanian leu - to Patria Credit SA, a microfinance institution - formerly called CAPA Finance - that was established in Romania in 1996. As of 2009, Orient Express reported total assets equivalent to USD 1.7 billion; and Patria Credit reported total assets of USD 54.1 million, a gross loan portfolio of USD 46.2 million, return on assets of -2.40 percent and return on equity of -7.43 percent. December 30. 2010

Kenya's SMEP to Take Deposits

The Central Bank of Kenya recently granted Small and Micro Enterprise Programme (SMEP), a nonprofit financial institution established in 1999, a license allowing it to take deposits from the public. Created by the National Council of Churches of Kenya, SMEP reportedly is looking to recruit churchgoers as depositors. For 2009, SMEP reports a gross loan portfolio of USD 12.4 million, assets of USD 17.5 million and return on assets of 1.01 percent. December 30. 2010

IDB Syndicates $22m Loan to Banco Pichincha of Ecuador

The US-based Inter-American Development Bank recently syndicated a USD 22 million loan to Banco Pichincha, a commercial bank, to expand its housing and enterprise lending in Ecuador's underserved communities. Of the total funding, most is from three Panamanian banks: USD 10 million from Global Bank, USD 5 million from Banco Aliado and USD 2 million from Multibank. The remaining USD 5 million is from BlueOrchard's Dexia Micro-Credit Fund. For 2009, Banco Pichincha reports total assets of USD 4.5 billion and USD 4 billion in deposits. For 2008, it reports return on equity of 20.6 percent and return on assets of 2.1 percent. December 29. 2010

Symbiotics Closes First Deals on MSME Bond Platform

Symbiotics, a microfinance investment company based in Switzerland, has launched an electronic bond issuance platform aimed at supporting micro-, small and medium-sized enterprises. It has so far arranged sales of a USD 10 million bond package for Mutual Cartago de Ahorro y Prestamo (MUCAP), a savings and loan institution based in Costa Rica that focuses on housing finance, and a USD 11.5 million package for Sri Lankan microfinance institution Lanka ORIX MicroCredit (LOMC). The debt packages were reportedly sold to eight unspecified institutional investors. MUCAP reports total assets equivalent to USD 348 million, and Lanka ORIX Leasing Company, the parent company of LOMC, reports total assets of USD 674 million, a loan portfolio of USD 159 million and return on equity of 19 percent. December 28. 2010

Fundacion BBVA Acquires Peru's Financiera Confianza

Fundacion Microfinanzas BBVA, a nonprofit subsidiary of multinational bank BBVA of Spain, has announced the acquisition of Financiera Confianza, a microbank in Peru. Fundacion BBVA reportedly plans to merge Confianza with its own Caja Rural de Ahorro y Credito Nuestra Gente to form a bank with a collective asset base equivalent to USD 445 million and approximately 400,000 clients. As of June 2010, Confianza reported USD 147 million in assets, 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. December 28. 2010

New Mifos Version Tracks Poverty, Works with M-Pesa

The Grameen Foundation, a nonprofit based in the US, has announced the release of Mifos 2.0, the latest version of its management information software for microlenders. The updated software incorporates the Progress out of Poverty Index, a measure for tracking changes in clients' living conditions over time, and is also designed to be compatible with M-Pesa, Kenya's mobile-to-mobile money transfer service. Mifos 2.0 was made available in December 2010 as a hosted "cloud" service, and 80 institutions reportedly use the software now. December 27. 2010

Officials Investigate Possible "Irregularities" at Grameen Bank

The government of Bangladesh has announced that it will form a committee to investigate allegations of "financial irregularities" at Grameen Bank, a microfinance institution started by Nobel laureate Dr Muhammad Yunus. A N H Mostafa Kamal, chairman of the parliamentary standing committee on the ministry of finance, reportedly seeks an explanation of why Grameen Bank is not operating under the Microcredit Regulatory Act 2006, which generally governs microlenders in Bangladesh. December 27. 2010

ShoreCap, Renamed CapitalPlus, Launches Banking Network

ShoreCap Exchange, which was founded in Chicago by ShoreBank Corporation, recently changed its name to CapitalPlus Exchange Corporation and plans to maintain its mission as a nonprofit specializing in technical assistance for financial institutions in Africa, Asia and Eastern Europe. In Ethiopia, CapitalPlus has also launched the Small Business Banking Network (SBBN), which works directly with microfinance institutions and small business banks to help them become more profitable and effective in expanding to poorer markets. SBBN is intended to support approximately 60 financial institutions in 30 countries with online resources and training material, peer-learning services and benchmarking and data services.
December 27. 2010

Index Insurance Facility Supports Projects in Kenya, Rwanda

The International Finance Corporation of the World Bank Group recently agreed to grant funds to three weather-index microinsurance projects in East Africa through the Global Index Insurance Facility (GIIF). Syngenta Foundation for Sustainable Agriculture, which is based in Switzerland and works across the developing world, plans to use GIIF funding of approximately USD 2.4 million to insure 20,000 farmers in Kenya over the next three years. MicroEnsure, which provides health, life, property and weather-index insurance to approximately 3.5 million poor clients in Africa and Asia, plans to use USD 1.6 million to insure 15,000 farmers in Rwanda. The International Livestock Research Institute of Kenya, which has worked with herders in Africa and South Asia, will use its grant of USD 154,000 to insure 5,000 herders in northern Kenya over two years. December 24. 2010

Standard Chartered, MicroSave Offer Risk Management Toolkit

The Bangladeshi arm of Standard Chartered PLC, a USD 436 billion international bank headquartered in the UK, and MicroSave, a company based in India that specializes in technical assistance and training for microfinance institutions (MFIs), jointly launched a risk management toolkit for MFIs recently that addresses risks specific to microfinance, such as lack of borrower collateral and the operation of remote service locations, as well as mainstream financial risks, such as market and interest rate fluctuations. December 24. 2010

SKS Microfinance Shares Off 9%

As uncertainty surrounding India's microfinance sector persists, shares of the country's only listed microlender, SKS Microfinance, have tumbled 9 percent since its initial public offering in July 2010 to a low of INR 599 on December 20, 2010. The S&P CNX Nifty Index, which represents large companies on the National Stock Exchange of India, rose slightly during the same period. December 24. 2010

State Bank of India Considers Loan Restructuring for MFIs

Chairman O P Bhatt of the public-sector State Bank of India has been quoted as saying his institution will defer loan payments owed by microfinance institutions (MFIs): "wherever [MFI loans] are likely to fall sick, restructuring will have to take place." December 24. 2010

Indonesia Offering Loans to Help Citizens Work Abroad

President Susilo Bambang Yudhoyono of Indonesia recently announced the launch of a microcredit program intended to help Indonesian workers secure overseas employment and finance-related document procurements, medical checkups, training programs and competency certificates. The program will provide government guarantees for banks to disburse loans up to the equivalent of USD 2,220 at an annual interest rate of 22 percent and larger loans at a rate of 14 percent. State-owned banks, including Bank Rakyat Indonesia, Bank Negara Indonesia and Bank Mandiri, will disburse the loans at first, with other banks expected to participate in the future. December 23. 2010

EBRD Loans $10m in Azerbaijan for Housing, Enterprise
The European Bank for Reconstruction and Development recently made several loans from its Multi-Bank Framework Facility to Bank Respublika, which is located in Azerbaijan and reports total assets equivalent to USD 415 million. USD 6 million was earmarked for home mortgages, USD 3 million for on-lending to entrepreneurs and USD 1.5 million for credit lines to medium-sized enterprises. December 23. 2010

IFC Lends $1m in Local Currency to Advans Cameroun
The International Finance Corporation recently loaned the local-currency equivalent of USD 1 million to Advans Cameroun, a microfinance institution (MFI) that reports a gross loan portfolio of USD 5.6 million and 5,500 active borrowers. Advans Cameroun is controlled by Luxembourg- based investment firm Advans SA, which holds stakes in MFIs in four African countries and Cambodia. December 22. 2010

MIX to Expand Data Coverage in Africa
The Microfinance Information Exchange (MIX) has received a USD 2 million grant from the MasterCard Foundation of Canada to broaden access to data on non-traditional microfinance providers, such as informal savings groups and mobile operators, which are more important as delivery channels in Africa than in other regions. December 21. 2010

Emida Launches mWallet Service in Nigeria, Plans to Expand
Emida, a US-based company that offers prepayment services, recently announced the integration of its Cash and Transact (CAT) Mobile Wallet platform with its Debisys Top-Up platform, which will enable customers to load cash to mobile phones to make payments to retailers, send money to other phones, pay bills and withdraw cash. CAT offers reporting features that allow regulators to monitor compliance with financial requirements. CAT was launched in Nigeria and is slated to be deployed to 36 additional countries. Via 46,000 retail points, Emida handles 180 million payments per year totaling approximately USD 1.4 billion. December 21. 2010

responsAbility Global Microfinance Fund Reopens
The Global Microfinance Fund, a microfinance investment vehicle operated by responsAbility Social Investments AG of Switzerland, has announced that it will resume accepting applications for shares after having suspended incoming investments as of May 2010. The fund reports USD 475 million in assets as of 2010. December 21. 2010

Grameen Partners Announce $8m Guarantee Pool for India
US-based Grameen Foundation and Grameen-Jameel, a joint venture founded in 2007 by the Grameen Foundation and Grow Well Limited of Saudi Arabia, have each committed USD 4 million to a guarantee fund intended to address the liquidity needs of Indian microfinance institutions (MFIs). Facilitated by Grameen Capital India, a Mumbai-based business that promotes microfinance in India, the funding will be made available to back loans from local banks to MFIs. To be eligible, MFIs must have completed a recent social-rating or impact-assessment report that uses "recognized industry guidelines." December 21. 2010

Big Names Argue "Microcredit Is Not The Enemy"
The UK-based *Financial Times* newspaper recently published an opinion piece titled "Microcredit Is Not the Enemy," in which the nine distinguished authors - including Esther Duflo and Dean Karlan - argue that the recent challenges in Andhra Pradesh were not a product of microlenders, but got out of control only when local government asked borrowers to stop repayments. To improve conditions in the sector, the authors suggest redirecting regulation away from interest rate caps and toward improved borrower screening, a better loan officer code of conduct and more attention to client grievances. December 21. 2010

NDIC to Prosecute Directors of Failed Nigerian Microbanks
The Nigeria Deposit Insurance Corporation has reportedly begun efforts to prosecute some of the managers of the 224 microfinance banks whose licenses were withdrawn in September 2010 by the Central Bank of Nigeria due to high default rates, corruption and other problems. December 16. 2010


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FIELD NOTES

Ring In the New Year and Wring Out the Backlash: Microcredit Is Not the End; It Is Just the Beginning

I rang in 2010 in this same space asserting that the next "big thing" in microfinance would be the promotion of savings. Shortly after, the Bill and Melinda Gates Foundation announced an initiative to put USD 38 million toward increasing the capacity of microfinance institutions to offer savings services to poor people. While exciting, this was only the tip of the iceberg. In 2010, the widely read book *Portfolios of the Poor* showed us that poor people can save, despite meager and unstable incomes. Microfinance institutions (MFIs) studying demand reinforced this idea, arguing that more clients need savings than credit. An unscientific review of the institutions reporting to the Microfinance Information Exchange shows that in 2009, borrowers at 537 deposit-taking institutions also represented 55 percent of their total 78 million depositors.

A number of randomized controlled trials or RCTs (considered the "gold standard" in causal evaluation) have begun to show that uptake is high when savings are offered to the poor, even when interest rates are negative. Some studies are showing that savings can lead to greater investment, the empowerment of women and perhaps declines in poverty. The momentum behind this has been huge. In November 2010, the Bill and Melinda Gates Foundation pledged another USD 500 million over five years to expand savings for the poor. Other philanthropic organizations, including the MasterCard Foundation, have put savings on their radar, focusing on youth in particular. Donor institutions such as the International Finance Corporation and the Inter-American Development Bank have also dipped their toes in this area. Even in the US, the City of San Francisco is apparently looking to match students' college savings with the idea that savings can increase enrollment.

The focus on savings has come in tandem with a severe backlash over microcredit, shifting product focus and donor emphasis away from indebting people with low incomes. I would like to suggest, however, that savings alone is a one-legged soldier and put forward four main reasons not to discount the utility of credit.

The first is highlighted in a recent CGAP (Consultative Group to Assist the Poor) paper authored by Glenn Westley and Xavier Martin titled "Making the Case for Microsavings". The business case is laid out well, yet the document shows that - for MFIs ADOPEM in the Dominican Republic and Centenary Bank in Uganda - deposits are not compelling until they are seen as a cross-selling opportunity to draw clients to more profitable microcredit products. Secondly, what of those borrowers who are not borrowing for consumption, but actually to grow their businesses? Can savings alone meet their needs? While Mexico's 80 percent to 100 percent interest rates are hard to repay with the business profits of most microenterprises, in countries where interest rates are more reasonable, credit offers an opportunity to grow a business free of loan sharks. Third, Dale Adams pointed out to me earlier this week that credit is still useful as a "reserve" for unexpected, costly events. Just as people with more money may have credit cards on standby for emergencies, poor people should have access to loans for the same reason. Insurance could help reduce this need somewhat, but its penetration in this segment is still very low. Finally, I still believe that the credit "carrot" remains relevant today. I have been dreaming up ideas of a product supermarket that can leverage the microcredit platform to offer financial services as well as social services such as health, training and others. Credit has shown itself both to draw clients to non-financial services and to finance those services. Until there is an alternative, this is reason enough for me.

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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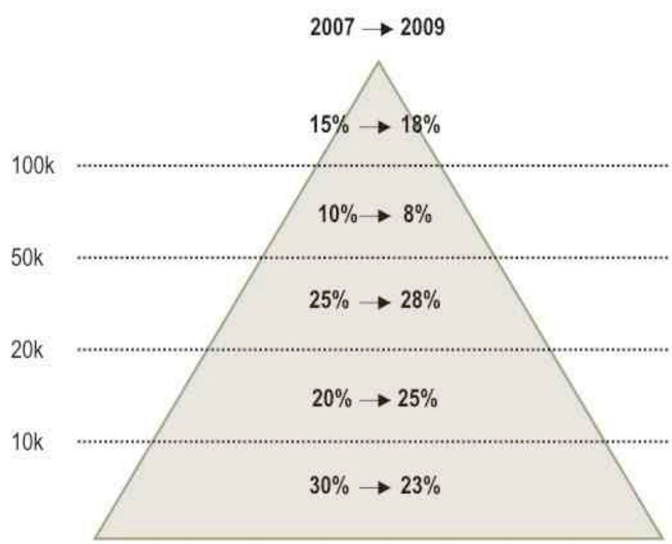
MICROCAPITAL MARKET INDICATORS I PHILIPPINES

40 MFIs REPORTING[1]

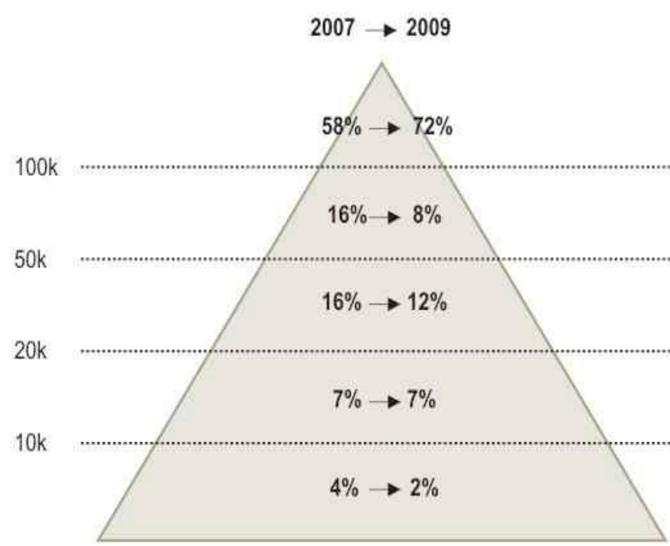
TOP 10 MICROFINANCE INSTITUTIONS (MFIs) BY GROWTH IN GROSS LOAN PORTFOLIO: CHANGE IN USD

MFI NAME	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2007	2009
1st Valley Bank Inc (formerly Rural Bank of Kapatagan Valley Inc)	9,904,397	25	36,018,304	55,827,098
CARD Bank Inc	8,883,056	53	13,230,863	30,996,976
Center for Agriculture and Rural Development Inc	6,183,564	17	33,840,696	46,207,824
TSPI Development Corporation	5,870,620	28	18,457,374	30,198,615
First Isabela Cooperative Bank	5,595,746	38	12,361,490	23,552,982
Life Bank Foundation Inc	4,152,246	31	11,524,652	19,829,145
Valiant Rural Bank (Iloilo City) Inc	3,604,049	35	8,814,794	16,022,892
ASA Philippines	3,579,014	44	6,703,310	13,861,339
Rural Green Bank of Caraga Inc	2,860,017	9	31,430,894	37,150,928
Bangko Kabayan (Ibaan Rural Bank Inc)	2,204,368	14	14,641,207	19,049,943

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 visit to two mobile money firms. Group discounts are available. Details may be requested from Sonum Puri at sonum.puri@clarionevents.com, +44 (0) 207067 1846 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 2,224 for for-profit organizations, USD 1,824 for microfinance institutions and USD 1,524 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 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, and more information is available via atendimento@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 3,000 for domestic attendees. More details are available from Dr D Lazar at 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 1,595, and more information is available via http://www.uni-global.eu/en/event/2011-96 or 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 1,500, and additional information is available from Bazaz Sakib via +91 9902 774 751 or 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. The registration fee is EUR 500, with a rate of EUR 400 offered to representatives of members of the Association of the Luxembourg Fund Industry, LuxFLAG and Eurosif. More information is available via 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 via 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.

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.

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 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 Paolo, 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

PAPER WRAP-UPS

Do Multiple Financial Services Enhance the Poverty Outreach of Microfinance Institutions?

By Koen Rossel-Cambier, published by Centre Emile Bernheim and Solvay Brussels School, December 2010, 41 pages, available at: http://www.microfinancegateway.org/p/site/m/template.rc/1.9.49256/

This paper examines the current trend toward product diversification by microfinance institutions (MFIs) and explores whether such diversification leads to greater outreach, in particular when combining microcredit with savings and insurance. It analyzes data from 250 MFIs from Latin America and the Caribbean from fiscal year 2006.

The author argues that if poverty alleviation is the mission of MFIs, then performance should be measured not only by organizational growth, but also by determining whether an MFI's services are relevant and useful to poor people. Social performance assessment is the process by which an organization measures its performance in terms of its social objectives, as well as those of key stakeholders. Various MFI promoters have developed tools to monitor the social performance of MFIs including Imp-Act, the SEEP Network/Argidius Foundation, CGAP (Consultative Group to Assist the Poor), the US Agency for International Development (AID) and ACCION International.

The paper tests three hypotheses: (1) combining multiple financial products enhances the breadth of outreach of MFIs, as measured by the number of people served; (2) combining microfinance products does not enhance outreach to poorer people; and (3) combining financial products can sharpen certain exclusionary gender-sensitive mechanisms.

The author concludes that combining multiple financial products does enhance the breadth of outreach of MFIs. MFIs with a variety of products, including insurance and savings, have more clients than those offering credit only. There was no discussion of whether a causal relationship can be established among these variables.

The analysis also suggests that MFIs offering savings tend not to reach out as much to poorer or socially excluded clients. However, the paper does not find evidence of a similar adverse affect of insurance offerings on the depth of poverty outreach.

Finally, the author finds that there is a negative correlation between offering savings and the depth of outreach to women.

Building Social Capital Through Microfinance

By Benjamin Feigenberg, Erica Field and Rohini Pande; Harvard Kennedy School Working Paper no. RWP10- 019; available at: http://dash.harvard.edu/bitstream/handle/1/4449105/Feigenberg_BuildingSocial.pdf?sequence=1

Social capital, defined as "features of social organization, such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated actions," is built up as a result of repeated interpersonal interactions. Yet does accumulated social capital provide a tangible economic return? In this paper, Feigenberg et al argue that the answer is "yes," based on their study of the relationship of group meeting schedules to loan default rates recorded by Indian microlender Village Welfare Society (VWS). The results suggest that building up social capital through the frequent meetings associated with group lending has a statistically significant effect on reducing loan default rates.

The authors selected 110 first-time borrowers and randomly assigned them to groups that met either every week or every month. The loan cycle was 10 months, and each group member was given an individual liability contract, i.e. group members were responsible for repayment of only their own loans. Using a measurement called the "social contact index," the authors measured the amount of social capital accumulated throughout and after the loan cycle. The authors found that a higher level of social contact was associated with borrowers assigned to a weekly meeting schedule, a correlation that continued even after the loan cycle was over; though the increase in social contact was stronger among people with preexisting social ties, such as relatives or neighbors.

Sixty percent of the original study group borrowed again from VWS. The authors studied data on these repeat borrowers to determine whether the social capital built up during first loan cycle had an effect on loan default rates during the second loan cycle. They found that borrowers assigned to a monthly meeting schedule for the first loan cycle were four times more likely to default than were borrowers that had been assigned to a weekly meeting schedule.

To strengthen their argument that it was indeed the increased social contact that lowered the default rate, the authors conducted surveys and a field-based lottery game. The survey showed that borrowers on weekly meeting schedules were more likely to have made financial transfers to people outside their immediate families. When asked hypothetical questions about helping particular group members, the weekly clients were more likely to extend a helping hand.

For the lottery game, the authors randomly selected 432 clients and offered each the opportunity to increase the probability of someone from her randomly assembled group winning the game, knowing that this choice would reduce her own chances of winning. The results showed that borrowers who were on weekly meeting schedules were more likely to undertake this act of altruism.

In conclusion, the authors argue that, despite the increased cost for microlenders to move to a more frequent repayment schedule, the expected lower default rate justifies the investment.

Same Game, Different League: What Microfinance Institutions Can Learn From the Large Banks Corporate Governance Debate

By Maria Giovanna Pugliese, published by World Microfinance Forum Geneva, October 2010, 24 pages, available at: http://www.microfinancegateway.org/gm/document-1.9.48253/Same_Game_Different_League.pdf

This paper summarizes lessons that have emerged from the recent corporate governance debate in the banking sector and point out parallels to - and differences from - the microfinance industry.

Many microfinance institutions (MFIs) are currently undergoing a transformation from small, nonprofit, donor-funded social enterprises focused on the provision of "simple" credit products to rapidly growing for-profit corporations, offering a multitude of products to a rapidly changing and increasingly diverse constituency. In the course of these transformations, new stakeholders, such as professional investors, are often brought in to expand an organization's capital base. As a result, new operational challenges and potential conflicts of interest emerge that require MFIs to adapt their governance structures.

The author identifies five main topics in the contemporary debate on the corporate governance of large banks that have implications for MFIs: role of the board of directors, role of institutional shareholders, risk management, executive remuneration and several others that are addressed as one: transparency, role of external service providers and complex group structures.

The board of directors plays a crucial role as a governance organ in both large banks and MFIs. The responsibility of the board is to define and monitor the execution of the company's strategy, vision and culture. The current banking crisis has underscored the responsibility of the board for setting strategy, risk profile and risk appetite. A particular challenge for MFIs transitioning to for-profit models is how to articulate a vision and strategy to minimize "mission drift" or departure from core values. To mitigate this risk, the author proposes emphasizing stakeholder multiplicity and the "duty of care" requirement, which is a legal obligation to adhere to a standard of reasonable care while performing any acts that could harm others.

Shareholders play an important role in guiding and monitoring the institutions they own. Investors in MFIs typically invest through specialized funds known as microfinance investment vehicles (MIVs), which increase the separation between organizations and their actual owners. To strengthen the governance role of investors, the author recommends that MIVs and direct investors adopt the United Nations Principles for Responsible Investment, which provide a framework to incorporate environmental, social and corporate governance issues into the practice of investing.

A major facet of contemporary debate centers around the failure of large financial institutions to manage risk appropriately. Traditionally, microfinance institutions have been characterized by tight risk management, as is evidenced by high loan repayment rates. However, as MFIs expand their product offerings and target markets, the risk of default may increase. Also, as MFIs begin to accept funding from external sources, they need to be aware of the risks associated with different sources of financing, such as liquidity risk. The author argues MFI managers should structure appropriate controls around these risks, including, where necessary, the creation of new functions and roles within the organization.

Executive remuneration is receiving a lot of attention in rich countries these days. In corporate banking, executive remuneration is based not only on the wage market but can also be a way to align executives' personal objectives with the institutions' long-term interests. Although remuneration practices at MFIs are significantly different than those in corporate banking, MFIs can learn from this debate. The author contends that MFIs can use incentive structures to keep MFI executives focused on the organizational mission.

Finally, the author advocates for transparency with regard to both financial and social measures. As MFIs grow in size and complexity, they will become more reliant on external service providers, including accounting firms. MFIs should put in place appropriate policies and processes to manage potential conflicts of interest with such external service providers. The increasing organizational complexity of MFIs also highlights the need for clear definitions of the roles within the organization.

The paper concludes with a recommendation for further research on the role that corporate governance plays in MFIs, including the structure of the board of directors, the best way to improve risk management in a rapidly changing organization and how to include social goals in remuneration plans.