

MICROCAPITAL BRIEFS | TOP STORIES

LeapFrog to Invest \$15m in India's Shriram for Insurance, Savings

LeapFrog Investments, a US-based private equity fund focusing on microinsurance, will invest USD 15 million in the Shriram Group, an Indian provider of financial services to poor people, to help the organization expand its offering of microinsurance and savings products for up to 10 million clients. According to Dr Jim Roth, co-founder of LeapFrog, the money will be used to improve "cover for millions of financially excluded clients and their families in India while also generating healthy financial returns." Shriram reports assets under management of equivalent to USD 8.65 billion. Unitus Capital, a financial advisory firm with ties the US and India, served as the sole investment advisor for the deal. September 9. 2011

11 Nigerian Firms Acquire Mobile Money Licenses

The following 11 firms have been granted licenses by the Central Bank of Nigeria to offer electronic payments through mobile phones: Eartholeum, Ecobank, eTranzact, FET, Fortis Mobile Money, GTBank Mobile Money, Kudi, Monetise, Pagatech, Paycom and UBA/Afripay. To support its mobile money offerings, Fortis Mobile Money, a sister company of Fortis Microfinance Bank, reportedly will incorporate technology from Fundamo, a Nigerian mobile banking and payment software provider. September 7. 2011

Brazil to Subsidize Interest Rates

The Brazilian government reportedly is expanding its National Program of Oriented Productive Microcredit, an initiative through which the government provides funding to financial service providers for on-lending to small businesses and microentrepreneurs. The equivalent of USD 300 million has been budgeted over two years to fund a reduction in annualized interest rates paid by clients from approximately 60 percent to 8 percent per year. The cost of opening a line of microcredit will also fall from 3 percent to 1 percent of the borrowed value. The program reports a loan portfolio of USD 600 million serving 908,000 active borrowers. August 30. 2011

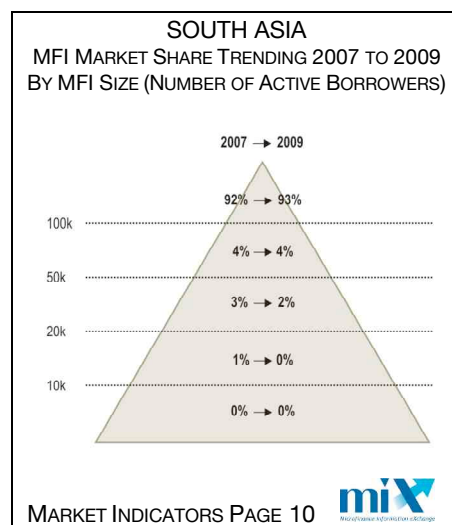
IFC Loaning \$50m to Panama's Banco General for Housing Loans

The International Finance Corporation, the private-investment arm of the World Bank Group, has agreed to provide a seven-year loan of USD 50 million to Panamanian commercial lender Banco General to grow the bank's mortgage lending program for moderate-income households. Banco General reports total assets equivalent to USD 8.8 billion and 490,000 clients served. August 26. 2011

Share, Spandana Sphoorty, Asmitha of India Consider Merger

As part of their ongoing efforts to manage significant losses in the state of Andhra Pradesh, Indian microfinance institutions Share Microfin Limited, Spandana Sphoorty Financial Limited and Asmitha Microfin Limited reportedly are in the early stages of considering merging into one organization. Padmaja Reddy, managing director of Spandana Sphoorty, has been quoted as saying that, "It is a long process. We need to take approvals from the bankers and other investors before going in for the merger." All three lenders must first complete negotiating the terms of a corporate debt restructuring proposal that has been submitted to the Reserve Bank of India, as was reported in the June issue of this newspaper. The institutions are looking to restructure debt equivalent to a total of USD 1.1 billion. August 17. 2011

INSIDE	Page
MicroCapital Briefs	2
Microfinance news	
Field Notes	9
Meeting the Small-country Challenge	
Market Indicators	10
Courtesy of MIX	
Upcoming Events	11
Industry conferences	
Paper Wrap-ups	12
Latest research and reports	
Subscribe to the Monitor	14



MICROCAPITAL BRIEFS

Clinton Global Initiative Annual Meeting Convenes in New York

The Clinton Global Initiative, an effort established by former US President Bill Clinton in 2005 to bring together global leaders to alleviate poverty, improve the environment and increase access to health care and education, is holding its annual meeting in New York City through September 22. Topics to be addressed include generating employment opportunities, sustainable consumption and scaling up programs that empower girls and women. September 21, 2011

SME Lending “Boom” to Boost Egypt’s Economy?

According to a report in British newspaper *The Financial Times*, CEO Ahmed El Bardai of Egyptian for-profit microfinance institution Reefy expects the country’s new government to focus on small and medium-sized enterprises to boost Egypt’s economy. Established in 2007, Reefy still disburses loans through Commercial International Bank, a private bank, because a draft law that would allow microlenders to work directly with consumers has been delayed by the recent political upheaval in the country. Reefy reports having arranged loans worth USD 99 million to 60,000 clients through 29 branch offices. September 21, 2011

Christofferson, Robb and Company Launching \$400m SME Fund

Christofferson, Robb and Company, a private money manager with offices in London and New York, is working to raise USD 400 million for a new “capital release fund” to allow financial institutions in developed countries to reduce the amount of the loan-loss provision that must be set aside for loans disbursed to small and medium-sized enterprises (SMEs) in developing countries. The goal of the fund is to allow banks to expand their SME portfolios, with unexpected loan losses covered by the fund in return for a fee. So far, the International Finance Corporation, the private-investment arm of the World Bank Group, has committed USD 100 million to the fund. September 21, 2011

Ymicro Solicits Donations for YMCA Microlending Programs

The Seattle, Washington, branch of the Young Men’s Christian Association (YMCA), a 45-million-member organization offering recreation and community development programs, recently launched Ymicro.org, a website soliciting donations for on-lending to entrepreneurs in developing countries. Funds raised through Ymicro currently support microloan programs operated by YMCA chapters in Sri Lanka and Liberia. YMCAs in Colombia and Gambia are disbursing the funds in collaboration with local microlenders. September 21, 2011

MIX Launches Interactive “Africa Map of Financial Inclusion”

The US-based nonprofit Microfinance Information Exchange recently launched the “Africa Map of Financial Inclusion for the Poor,” a tool that shows country-specific microfinance information in the context of socioeconomic indicators. The map, which can be accessed at <http://africa.mixmarket.org/>, is based on a survey of staff from 23,000 formal and informal financial service providers that together reach 70 million people in sub-Saharan Africa. September 20, 2011

\$29m Equity Investment Primes Bandhan for RBI License

Indian microfinance institution Bandhan Financial Services Private Limited reportedly is preparing to apply for a banking license when the Reserve Bank of India (RBI) finalizes its new guidelines for establishing new banks. Acquiring the license, which would allow Bandhan to accept deposits, is part of a plan to approximately double the number of people Bandhan serves to 6.5 million. Bandhan also raised the equivalent of USD 29 million in equity from the World Bank’s International Finance Corporation. The deal, which was arranged by Indian advisory firm Intelicap, brings Bandhan’s net worth to USD 127 million, surpassing the USD 105 million minimum capital requirement expected to be established by RBI. September 15 and September 20, 2011

BNP Paribas Loans \$1.9m to Ecuador’s Espoir, Cambodia’s Amret

BNP Paribas, a French financial services provider, recently loaned USD 1 million to Fundación Espoir, a nonprofit microfinance institution (MFI) established in Ecuador in 1992, and a local-currency loan equivalent to USD 900,000 to Amret Company Limited, a Cambodian MFI. Espoir, which also provides health services and financial education, reports total assets of USD 29.8 million, a gross loan portfolio of USD 27.5 million, 53,100 borrowers, return on assets (ROA) of 3.79 percent and return on equity (ROE) of 25.3 percent. Amret, which offers lending and saving services primarily in rural areas, reports assets of USD 87.8 million, a loan portfolio of USD 67 million, 223,000 borrowers, ROA of 5.91 percent and ROE of 25 percent. September 20, 2011

IFC Loans \$5m to KCB Rwanda for Mortgage, SMEs

The International Finance Corporation (IFC), the private-investment arm of the World Bank Group, has agreed to loan the local-currency equivalent of USD 5 million to the Rwandan subsidiary of publicly traded Kenya Commercial Bank (KCB) Group to expand its mortgage finance program and its lending to small and medium-sized enterprises. The loan is part of a USD 105 million package that IFC is providing to KCB Group, which reports total assets equivalent to USD 3 billion. September 19, 2011

Housing Microfinance Not Viable in Urban Areas?

On the website of the Brazilian foundation Habitation for the Planet, Ruban Selvanayagam, a real estate consultant with Exitus Construction Brazil, recently laid out a series of arguments against the use of housing microfinance to address substandard housing in urban areas. Mr Selvanayagam argues that the risk of eviction prevents housing improvements from being effective over time because most slum populations lack long-term legal rights to their land. He further argues that the limited size of housing microloans does not allow beneficiaries to meet international building standards. While Mr Selvanayagam concedes that new housing construction projects for people with low incomes are possible in areas where land is very affordable, these areas are usually far from workplaces and lack basic infrastructure. September 19, 2011

This publication is available to the public by subscription and is free of charge to microfinance institutions in developing countries courtesy of:



MicroCapital Monitor - © 2011 MicroCapital - ISSN 1935-505X
The MicroCapital Monitor is published monthly by MicroCapital
Editor Bob Summers; editorial assistant Jacqueline Foelster;
writers Kristha Abores, Ashim Kar, Carol Kim, Nisha Koul and Rohan Trivedi; special thanks to Diego Guerra Tavera, John Howard-Smith and Susannah Tesoriero
For questions, comments or suggestions, please write to info@microcapital.org or call +1 617 648 0043, Boston, USA

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

India's Ujjivan Looking to Raise \$138m

Ujjivan Financial Services, an Indian microfinance institution, reportedly plans to raise up to the equivalent of USD 138 million from the Small Industries Development Bank of India (SIDBI), a government-owned financial institution, along with additional unspecified private- and public-sector banks. In July, Ujjivan issued non-convertible debentures worth USD 12 million, which were privately placed by UK-based Standard Chartered Bank. In August, Ujjivan raised USD 28 million from SIDBI and three commercial banks: Axis Bank, Corporation Bank and the State Bank of Travancore. Ujjivan reports total assets of USD 159 million, a gross loan portfolio of USD 133 million, return on assets of 2.01 percent, return on equity of 10.1 percent and 847,000 active borrowers. September 16, 2011

Bank of Ghana Issues New Licensing Scheme for Microfinance

The Bank of Ghana recently issued new operating rules under the Non-bank Financial Institutions Act 2008. Among those being regulated are "susu" companies, which are named for a traditional, informal means to save and borrow. New capital requirements include that deposit-taking susu companies must hold initial paid-up capital equivalent to at least USD 65,000 for each unit office, and non-deposit-taking NGOs must maintain paid-up capital of at least USD 39,000 and a gearing ratio of no more than eight times capital. September 15, 2011

Citi Donating \$1m to Habitat for Humanity for Southeast Asia

The Citi Foundation, the charitable arm of US-based financial services conglomerate Citigroup, has committed a donation of USD 1 million to Habitat for Humanity, a US-based nonprofit that focuses on affordable housing, to develop the "Citi-Habitat Home Improvement Microsavings Program." This pilot is intended to provide a combination of access to savings products, financial education and "construction technical assistance" to approximately 3,000 low-income households in the Philippines, Thailand and Vietnam. September 15, 2011

Dual Return Fund Loans \$1.5m in Colombia, Dominican Republic

Absolute Portfolio Management GmbH, an Austrian microfinance investment company, recently reported that its Dual Return Fund - Vision Microfinance Local Currency made debt investments totaling the equivalent of USD 1.5 million in unnamed microfinance institutions in Colombia and the Dominican Republic. Absolute reports that this is the first time the fund has invested in the Dominican Republic. In August 2011, the Dual Return Fund reported a total fund volume equivalent to USD 29 million and loans outstanding to 27 institutions in 18 emerging markets. September 14, 2011

IFC to Loan \$10m to Metcombank of Russia for SMEs

The World Bank's International Finance Corporation (IFC) has agreed to loan the local-currency equivalent of USD 10.3 million to Joint Stock Company Metallurgic Commercial Bank (Metcombank) of Russia to increase its lending to small and medium-sized enterprises. Metcombank will also join IFC's Global Trade Finance Program, which supports 200 banks in 80 countries by guaranteeing foreign trade transactions. Financial data on Metcombank are not available. September 13, 2011

responsAbility Invests \$2.5m in Kazakhstan, Tajikistan, Mongolia

responsAbility Social Investments, a Swiss microfinance investment company, recently reported to MicroCapital that funds it manages disbursed the following loans: the local-currency equivalent of USD 500,000 to Asian Credit Fund LLP of Kazakhstan, which reports total assets of USD 4.8 million, a gross loan portfolio of USD 2.6 million, 4,539 borrowers, return on assets (ROA) of -1.75 percent and return on equity (ROE) of -16.4 percent; USD 1 million to Bank Eshkata of Tajikistan, which reports total assets of USD 78.3 million, a gross loan portfolio of USD 47.4 million, 9,500 borrowers, ROA of 2.62 percent and ROE of 22.5 percent; and USD 1 million to XacLeasing, which reports paid-in capital equivalent to USD 1.6 million and is a sister company of Mongolian microbank XacBank. September 13, 2011



POWERING CONNECTIONS

At the conference:

- 4 plenary discussions
- 20 workshops
- 7 trainings
- Global Network Summit
- Expo & Networking

2011 DUAL THEMES:**SAVINGS****ENTERPRISE AND MARKET DEVELOPMENT**

Savings products are stabilizing household incomes around the world by providing a safe place for hard-earned cash.

Enterprise and Market Development programs are changing the economic playing field, helping the poor to successfully generate income and assets.

learn more & register



www.seepannualconference.com

October 31st - November 3rd | Sheraton National Hotel | Arlington, VA

Maghreb PE Fund III to Boost North African SMEs

The Tuninvest-Africinvest Group, a Tunisian private equity company that invests in small and medium-sized enterprises, recently announced the closing of its Maghreb Private Equity Fund III with the euro-equivalent of USD 134 million in capital commitments. The 10-year fund has a target of USD 210 million and will invest in Algeria, Morocco, Tunisia, Libya, and possibly Egypt. Investors include the African Development Bank; the World Bank's International Finance Corporation; French institutional investor CDC Enterprises; Averroes Finance II, a French fund of funds; and multiple European development finance institutions. Tuninvest-Africinvest manages approximately USD 550 million through 10 investment funds. September 13, 2011

Youth Microfinance Grows in North Africa

The Magharebia, a US-backed website covering news on northwest Africa, reports that the Algerian government's Youth Employment Support Agency quadrupled the number of loan approvals it granted to young candidates in the first half of 2011. The number of youth benefiting from microcredit is also up in Tunisia. September 13, 2011

ADB Report: Pacific Island MFIs Boost Product Diversity

In its latest annual report, the Pacific Private Sector Development Initiative (PSDI), which was established in 2006 by the Asian Development Bank, outlines its work with microfinance institutions (MFIs) in Papua New Guinea, Timor-Leste and Vanuatu to develop new financial products and expand outreach in rural areas. In the Federated States of Micronesia, Marshall Islands, Solomon Islands, Tonga and Vanuatu, PSDI funded education loans and encouraged changes in the design of loans secured by movable assets like boats, cars and equipment. The report also cites the empowerment of women as a major theme of PSDI. The current phase of PSDI runs from 2009 to 2013 with total funding of USD 12 million, part of which has been donated by the Australian government's AusAID. September 12, 2011

"Holistic" Effort in India Combines Loans, Grants, Health Services

Axis Bank Foundation, the corporate social responsibility arm of India's Axis Bank, and Bandhan Konnagar, the nonprofit branch of Indian microlender Bandhan Financial Services Private Limited, have collaborated to launch Axis Bank Bandhan Holistic Assistance to provide financial, health and support services to the "poorest of the poor" in the Indian state of West Bengal. The effort, which involves "grant-based interventions," will have funding equivalent to USD 21 million to serve 50,000 families over five years. It is based on a pilot that was launched by Bandhan in 2006. September 12, 2011

responsAbility Loans \$4.3m in Peru, Colombia, Mexico

Switzerland's responsAbility Social Investments recently reported to MicroCapital that funds it manages loaned the local-currency equivalent of USD 1.5 million to Profinanzas of Peru, which reports total assets of USD 55.5 million, and USD 1 million to Coomuldesa of Colombia, which reports total assets of USD 67 million. ProCredit Mexico, an affiliate of Germany's 21-member ProCredit Holding, borrowed USD 1.2 million. The Mexican arm of Pro Mujer, which operates in five Latin American countries, borrowed USD 680,000. September 12, 2011

responsAbility Loans \$12.5m to Equity Bank of Kenya

responsAbility Social Investments AG, a Swiss for-profit company that operates four microfinance investment vehicles, recently reported to MicroCapital that it has loaned USD 12.5 million to Equity Bank of Kenya, which reports a gross loan portfolio of USD 925 million, deposits of USD 867 million, return on assets of 6.43 percent and return on equity of 28.6 percent. responsAbility also loaned USD 1 million to VisionFund Cambodia, one of 40 members of VisionFund International, which is based in the US state of California and reports total assets of USD 418 million and approximately 638,000 active borrowers. September 10, 2011



The Calgary Microcredit Conference
Beyond Microcredit - The Emerging Wave of
Social Business & Social Entrepreneurship

Speakers include:

Alex Counts - Grameen Foundation
Terry Provance - Oikocredit
Rupert Scofield - FINCA International

Calgary, AB, Canada

Tickets \$90

October
01.11

www.calgarymicrocreditconference.com



reetopscapital
investing with impact

Investing in local currency debt, sub-debt, and equity

of MFIs and SME financial institutions

Affordable Housing • SMEs • Agribusiness

www.treetopscapital.com / info@treetopscapital.com



AMT's 4th Annual Microfinance Investor's Fair
13th and 14th of October 2011
Accra, Ghana

Who can participate?

Rated African MFIs
Microfinance Investors

How to register?

www.amt-forum.org
info@amt-forum.org



**Registration has
been extended**

ILO Backs Crop, Life, Property Microinsurance Scheme in Bolivia

The United Nations' International Labour Organization (ILO) is reportedly backing a pilot microinsurance scheme in the Tarija region of Bolivia with unnamed local partners to provide insurance against loss of food crops, life and property. The program is slated to expand nationwide in 2012. September 10. 2011

IDB Syndicates \$19m Loan for Town Markets in El Salvador

The Inter-American Development Bank (IDB), a US-based development finance institution, recently closed a USD 19 million syndicated loan with participation from Dutch cooperative Oikocredit, VDK Spaarbank of Belgium and Bank im Bistum Essen of Germany to upgrade municipal marketplaces in El Salvador. IDB issued a seven-year term loan of USD 10 million as part of the package, and the other investors each provided a five-year term loan of USD 3 million as B lenders. The Federation of Savings and Loan Associations and Workers' Banks (Fedecredito), a Salvadoran cooperative, will channel the proceeds to municipalities to upgrade and build marketplaces. September 9. 2011

EBRD to Loan \$4m to Kompanion of the Kyrgyz Republic

The UK-based European Bank for Reconstruction and Development has agreed to disburse a three-year, local-currency loan worth USD 4 million to Kompanion Financial Group Microfinance Closed Joint Stock Company of the Kyrgyz Republic. Kompanion is to on-lend most of the money to micro- and small enterprises in rural areas. Kompanion reports total assets of USD 50 million, a gross loan portfolio of USD 30 million, return on assets of 4.78 percent, return on equity of 20.8 percent and 119,000 active borrowers. September 9. 2011

MFTransparency, AEMFI to Partner in Ethiopia

MFTransparency, a US-based nonprofit that publishes data on microfinance products, and the 30-member Association of Ethiopian Microfinance Institutions are launching the "Transparent Pricing Initiative in Ethiopia," which is partially funded by Dutch microfinance network MicroNed, to promote the collection and dissemination of pricing information from Ethiopian microlenders. MFTransparency is collecting or has published microfinance product pricing data from 26 countries to date. September 8. 2011

MFIs in India Look to Raise Funds Using "Crowd Sourcing"

Looking to diversify their funding sources, microfinance institutions in India reportedly have been giving more attention to "crowd sourcing" funds through websites such as Rang De and Milaap. Milaap is said to be the first to get approval from the Reserve Bank of India to raise small amounts from individuals in other countries. September 8. 2011

Suddanand Healthcare, MFIs Offer Health Microinsurance in India

Suddanand Healthcare, a nonprofit based in the Indian state of Karnataka, reportedly has developed a health microinsurance system that offers the customers of local microfinance institutions (MFIs) coverage for medical expenses up to the equivalent of USD 110 per year at participating hospitals for an annual premium of USD 3.50. Outpatient services require a co-payment of USD 0.20 while inpatient treatment is available at a fixed cost pre-arranged by Suddanand and participating MFIs and hospitals. Suddanand also arranges ambulance services, a 24-hour telephone hotline and "helpers" at hospitals to guide members in accessing services. September 8. 2011

Muhammad Yunus Lectures Nigeria's Microfinance Banks

Dr Muhammad Yunus, the founder of Grameen Bank of Bangladesh, recently argued at a conference in Nigeria that microfinance banks should quote simple interest rates inclusive of all fees and charges. He further proposed that pricing allow limited returns for the lender, but remain feasible for poor clients to repay. September 8. 2011

RBI Mandates Banks Open 25% of New Branches in Rural Areas

The Reserve Bank of India recently issued a new requirement that banks open one quarter of new branches in towns with populations of fewer than 10,000 people. It is expected that these rural branches would offer only basic services, at least for an initial period. September 6. 2011

Despite "Shame," India's BASIX May Seek Foreign Investors

Chairman Vijay Mahajan of BASIX Group, an Indian company whose holdings include Bhartiya Samruddhi Finance Limited (BSFL) and Krishna Bhima Samruddhi Local Area Bank Limited, has reportedly announced that if the company does not raise domestic capital equivalent to USD 98 million by the end of September, it will solicit foreign investors. Mr Mahajan was quoted as saying that "...it will be a shame if that happens." The company is now negotiating with domestic banks to borrow USD 175 million in addition to the USD 150 million raised by BSFL as was reported in the August issue of this newspaper. The two microfinance institutions of BASIX report aggregate assets of USD 432 million and 1.8 million active borrowers. September 5. 2011

Filipino Rural Banks May Now Sell 40% of Shares to Foreigners

The Philippines is newly allowing foreign investors to buy stakes in rural banks as large as 40 percent. Ian Eric Pama, president of the Rural Bankers Association of the Philippines, was quoted as stating that the move "would help rural banks expand their operations to become a major stimulus for microfinance, micro-enterprise or small and medium sized enterprises (SMEs), and agriculture sectors.... We cannot continuously depend upon the National Government to invigorate local economic activity." Rural banks reportedly disburse the equivalent of USD 63 million in microloans monthly. September 4. 2011

Incofin Lends \$9m in Tanzania, Nigeria, Ghana

Belgium's Incofin Investment Management, recently made the following local-currency debt investments through its Rural Impulse Fund II: the equivalent of USD 2.75 million in Tanzania's Promotion of Rural Initiative and Development Enterprises Limited, which reports assets of USD 38.9 million; USD 1 million in Lift Above Poverty Organisation of Nigeria, which reports assets of USD 65.4 million; USD 2.6 million in Sinapi Aba Trust of Ghana, with assets of USD 39.6 million; and USD 2.6 million in First Allied Savings and Loans Limited, which is also located in Ghana and reports assets of USD 35.9 million. September 2. 2011

"Bangladesh Microfinance Review" Argues for Product Diversity

The BRAC Development Institute, an affiliate of Bangladeshi NGO BRAC (formerly the Bangladesh Rehabilitation Assistance Committee), recently completed the "Bangladesh Microfinance Review, August 2011," which concludes that "while the sector has achieved operational efficiency, it needs to diversify its products in order to serve unmet demand for credit." The report indicates that the average cost of servicing microloans in the country is USD 14, which ranks as "one of the lowest worldwide," but that diversification into microinsurance and other services is slow compared with other countries. September 1. 2011

Nigerian Association of MFBs Establishes Liquidity Fund

The Lagos chapter of the National Association of Microfinance Banks (NAMBLAG) reportedly has established the NAMBLAG Trust Fund, in order to "shield microfinance banks from liquidity shocks that are currently being experienced in the sub-sector." Each member bank will be able to access an amount equivalent to USD 12,900 for a period of up to 360 days at an interest rate of up to 26 percent. Members will credit USD 3,200 to the fund, with the unnamed fund custodian matching the total amount. Over time, it is anticipated that the interest rate will be lowered into the single digits and members will be able to access more principal. September 1. 2011

Chuck Waterfield of MFTTransparency Pans Flat Interest

In a recent editorial on the blog of US-based NGO CGAP (Consultative Group to Assist the Poor), CEO Chuck Waterfield of MFTTransparency, a US-based NGO that publishes information on microcredit pricing, suggested the following regulations to assist borrowers in making better decisions: the passage of “Truth-in-Lending” legislation requiring the disclosure of the terms and costs of borrowing and the prohibition of “flat interest” arrangements, whereby interest is paid on the full amount of a loan even as the principal is paid down. August 31. 2011

IDB Launches “Microfinance in Latin America” Blog

The Inter-American Development Bank, a US-based multilateral financial institution, has launched the Spanish-language “Microfinance in Latin America” blog in an effort to explore the role of microfinance in financial inclusion in Latin America and the Caribbean. The site can be accessed at <http://blogs.iadb.org/microfinanzas/>. August 31. 2011

India's SKS Boosting Gold Lending, Financing of Grocery Stores

SKS Microfinance is reportedly attempting to diversify its revenue stream by scaling up its financing of small groceries known as Samgam stores and disbursing loans secured by gold. In the Samgam scheme, SKS earns a commission from wholesale suppliers by bringing them business from Samgam stores to which SKS also disburses loans. CEO M R Rao of SKS reportedly added, “The number of branches [offering gold loans] is being increased from the present five to 20 as there is [a] huge demand-supply gap in rural micro credit.” As of June, SKS reported an outstanding portfolio equivalent to USD 755 million. August 29. 2011

Russian Microfinance Grew 13% During First Quarter

A survey by two Russian microfinance associations, the National Partnership of Microfinance Market Participants and the Russian Microfinance Center, indicates that non-banking microfinance institutions posted growth during the first quarter of 2011 in active credit portfolio, savings deposits and loans disbursed per lender in the amounts of 2.8 percent, 4.0 percent and 12.9 percent, respectively. In addition, “The rate of credit portfolio growth at microfinance institutions is slightly higher than the pace of growth of a credit portfolio in the banking sector.” The authors suggest this may be the start of the first long-term growth trend since the economic downturn hit Russia in 2008. August 24. 2011

On the Challenges, Opportunities of Microinsurance

Nicole Skibola of Australian-American firm Apricot Consulting has authored an article on the website of US-based *Forbes* magazine positing that microinsurance offers a significant opportunity to insurance companies because industrialized countries have become “saturated, with limited prospects for further growth.” Ms Skibola also explores the challenges of microinsurance such as the need to: educate clients, “localize” products and franchise through unconventional distribution channels such as women’s groups and rural kiosks. August 23. 2011

EBRD, BIB Loan \$13m to Russia's Transcapitalbank for SMEs

The London-based European Bank for Reconstruction and Development (EBRD) recently announced that Bank im Bistum Essen, a German cooperative bank, has funded a three-year, USD 3 million B loan as part of a USD 13 million loan package for Russia's Transcapitalbank (TCB) to boost its lending to small and medium-sized enterprises. EBRD, which holds a 28-percent stake in TCB, will provide the remainder of the funding with a term of 4.5 years. The interest rate of the A loan has not been disclosed, but the B loan is priced at 4 percent over the six-month London Interbank Offered Rate. August 23. 2011

Kenya's M-Pesa Reports 56% Revenue Growth

M-Pesa, a mobile money transfer service operated by Kenyan telecommunication provider Safaricom Limited, has reportedly announced that during the fiscal year ending in March, it grew its revenue by 56 percent to the equivalent of USD 139 million. During the same period, the number of subscribers increased from 9.5 million to 13.8 million, with 24,000 outlets serving M-Pesa customers. August 23. 2011

Microinsurance Network Examines Commercial Insurer Trends

The Microinsurance Network, a membership organization that works to advance insurance for poor people, recently released a report titled “Commercial Insurers in Microinsurance” in which most of the 24 companies surveyed reported that they entered the microinsurance market during the last five years and that they foresee the sector doubling in size over the next three years. Challenges cited include high distribution costs relative to premiums, a lack of consumer awareness of the benefits of insurance, a lack of distribution channels and a lack of data for risk assessment and premium calculation. August 23. 2011

Pakistan Reports 13% Decline in Microdeposits After Floods

The State Bank of Pakistan (SBP) has reportedly released data indicating that total deposits at microfinance banks in the country decreased from the equivalent of USD 120 million to USD 104 million during the first quarter of 2011. Deposits remain up, however, from their March 2010 level of USD 82 million. Since major flooding struck Pakistan in July 2010, Khushhali Bank and First Microfinance Bank reportedly have been forced to limit new lending as they struggle to recover loans disbursed before the floods. SBP maintains, however, that the financial profile of most microbanks is beginning to improve. August 22. 2011

MFTTransparency Collecting Data in the Philippines

MFTTransparency, a US-based NGO that collects and publishes information on microcredit pricing, recently received its first data submissions from Filipino microfinance institutions. Sixteen local lenders have so far submitted data, the collection of which is being conducted in partnership with local trade associations the Microfinance Council of the Philippines and the Rural Bankers Association of the Philippines. Thirty-two additional microlenders in the Philippines have begun the data submission process. MFTTransparency is so far working in 26 countries to collect and share similar information. August 22. 2011

responsAbility Loans \$9.2m in Latin America

Switzerland's responsAbility Social Investments AG recently reported to MicroCapital that it made local-currency loans totaling USD 4.9 million to FINCA Mexico, one of 21 members of the US-based microfinance nonprofit FINCA International, and USD 1.4 million to Entidad de Desarrollo a la Pequeña y Micro Empresa Alternativa of Peru, which reports total assets of USD 30 million. Funds managed by responsAbility also loaned USD 2 million to Fundación para el Desarrollo Microempresarial (D-Miro) of Ecuador, which reports assets of USD 34.8 million, and USD 850,000 to Instituto para el Desarrollo de la Pequeña Unidad Productiva of Bolivia, which reports assets of USD 26 million. August 19. 2011

Peru's FONDESURCO, CMAC Huancayo to Finance Clean Energy

As part of their newly established Energy Inclusion Initiative, Luxembourg-based nonprofit Appui au Développement Autonome and German partnership MicroEnergy International have teamed up with Peruvian microlenders Fondo de Desarrollo Regional (FONDESURCO) and Caja Municipal de Ahorro y Crédito de Huancayo to offer loans for the purchase of items such as solar water heaters, solar coffee dryers and energy-efficient ovens. The effort is intended to support 10,000 entrepreneurs by 2014. August 18. 2011



MOBILE MONEY SOUTHERN ASIA
CONFERENCE & EXPO
MUMBAI, INDIA
26-29 SEPTEMBER 2011

Register now >>



Plotting the roadmap for mobile money growth in Southern Asia



International Conference



**Present and future of microfinance:
Transparency, client protection and social impact
for a sustainable growth**

October 24th, 2011, Milan, Italy

With the Award Ceremony of the
Giordano Dell'Amore Microfinance Best Practices International Award

www.fgda.org/events



SUMMIT 2011

ACCESS Development Services announces the 8th Microfinance India Summit and 4th Livelihoods India Conference.

Save the Date!
December 12-15, 2011 at Hotel Ashok, New Delhi.



TECHNOLOGY INNOVATION
FOR BANKS IN GROWTH ECONOMIES

Overcome ICT Infrastructure Barriers and Commit to New Banking Technologies To Dramatically Increase Your Reach

29 - 30 NOVEMBER 2011, LONDON

www.technologyinnovation-banking.com



10th Global Investment & Innovation in Microfinance: Africa

Transform Your MFI: Comply With Regulation, Strengthen Governance, Increase Funding, Adopt New Technology

17th - 19th October 2011, Nairobi, Kenya

Benefits of attending

- **Get ready to become deposit taking:** Hear straight from the Kenyan Central Bank on their Microfinance priorities to ensure you are meeting the expectations of the regulator
- **Tackle over-indebtedness:** Join our in-depth working group to confront the challenge of competition and under-cutting and maintain the balance between commercial and social goals
- **Find out how to increase investment in your MFI:** Strengthen governance, build capacity and infrastructure and commit to social performance measurement to encourage increased funding

24 expert speakers including:



Professor Njuguna Ndung'u
Governor
Central Bank of Kenya



Ulrich Zeisluft
Principal Financial Specialist
IFC Nairobi



Olivia van Rooyen
Director
The Kuyasa Fund

Tel: +44 20 3141 8700 Email: info@hansonwade.com Fax: +44 20 7222 2685

www.microfinance-africa.com





Fundeser is pleased to announce that, during 2010, it:



- Received €1.9m in new funding from AECID/ICO and a private investor
- Disbursed \$14.8m as 31,438 microloans averaging \$469 and
- Maintained a "new portfolio" PAR 30 of 1.67%

<http://www.fundeser.org.ni>

KMF active clients - 35 379
Loan portfolio - USD 40 735 082



Founded in 1997

Real support - to real business!

www.kmf.kz

**FONDATION
MICRO-CREDIT**
GRUPE BANQUE POPULAIRE



Supporting Moroccan microentreprises for 10 years with proximity, financing, management, training and monitoring.

www.fbpmc.ma

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



**200,000
clients by
2012**

www.asomi.co.in

With 385 locations serving over 126,000 clients across Uzbekistan, Mikrokreditbank is proud to have been recognized as

**Country Winner
for Uzbekistan**

in *The Banker* magazine's
2010 "best bank" awards



Banco Solidario

Recognized for social responsibility by Microfinanzas Americas, The Smart Campaign, Planet Rating, Microfinance Information Exchange and Great Place to Work.

www.solidario.fin.ec



MCC Mikrofin is pleased to announce that for the third time in a row, it has been named best MFI in Bosnia and Herzegovina.

www.mikrofin.com

2007 | 2008 | 2009

FIELD NOTES

Guess Who: Can Networks Meet the Challenges of Supporting Small-country Microfinance?

Please indulge me in a guessing game. (And don't skip ahead!)

Question: What has twice the population of Ghana and three times the population of Zambia? It has a lower UN Development Index ranking than Morocco and Namibia. Its GDP per capita is lower than that of Nigeria and South Africa, and its GINI coefficient is higher (indicating greater income inequality) than Ethiopia, Malawi, Tanzania and Uganda. Some of its regions have suffered from political instability, corruption and foreign government intervention. In most of the area, firearms are widely carried, with increasing violence and insecurity plaguing civil society. Its geographic diversity offers great natural resources but also makes it vulnerable to natural disasters that hit frequently and hard.


Answer: The area is not actually a country (sorry). Instead, I have aggregated the populations of six Central American countries (Costa Rica, Guatemala, El Salvador, Honduras, Nicaragua, and Panamá) and taken the population-weighted average of the indicators cited. Why would I go to all that trouble? Because I think that Central America merits our attention, yet is all too often forgotten by the big aid funders. Sandwiched between "middle-income" neighbors in North and South America, these small countries can hardly promise significant enough "impact" to merit the attention of international development organizations with scarce human and financial resources.

This is why I am especially intrigued with the work of REDCAMIF, a network of Central American microfinance institutions (MFIs), which has recently added the Dominican Republic to its membership. What can sometimes seem like an "old boys" network of MFI managers interested only in retaining their footholds in their local markets is also a surprisingly well-functioning institution that offers a unique value

proposition. Those donors that don't have time to support individual programs to strengthen microfinance in these fairly small countries can access this "super-network" to channel programs through seven national MFI networks to reach 128 MFI members, which serve almost one million clients with a total portfolio equivalent to USD 1.3 billion. REDCAMIF's programs include the first regional initiatives that I've seen offer micropensions and microinsurance. I was also thrilled to see a crowd of both men and women at REDCAMIF's conference on Gender and Microfinance in Honduras last year sign an agreement to establish some key principles of gender equality. A training program launched this year to strengthen risk management also responds to a critical need.

On the down side, it's still primarily run by a group of tightly connected veterans of the sector. Innovation trickles slowly and painfully, and much of the dynamism comes from its politically astute and extremely bright general manager, Ivan Gutierrez. With so much left to be done in Central America and with microfinance in the region so desperately in need of retooling, it seems like REDCAMIF is positioned to take on a greater and more active role, strengthening its members as well as its own capacity. To do so, its leaders have been reaching outside their inner circle to help them think through some of these issues; I encourage you all to participate.

Note: REDCAMIF will be holding a workshop on October 10 during the annual FOROMIC in October in Costa Rica with the objective of increasing the sustainability and social impact of its member institutions.

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, or you may follow her on Twitter at [BarbaraatEA](#). 

responsAbility
leading social investments



Your Professional Financing Partner

We are committed to being a client-focused investor, making the following benefits available to our partners:

- Attractive conditions
- Local currency funding
- Lean processes and fast execution
- Reliable source of funding
- Strong networks

www.responsAbility.com

responsAbility Social Investments AG
Phone +41 44 250 99 30, proposal@responsAbility.com

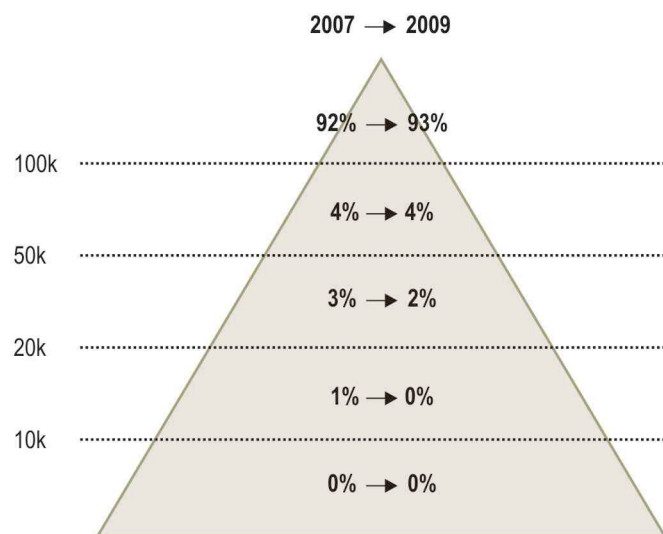
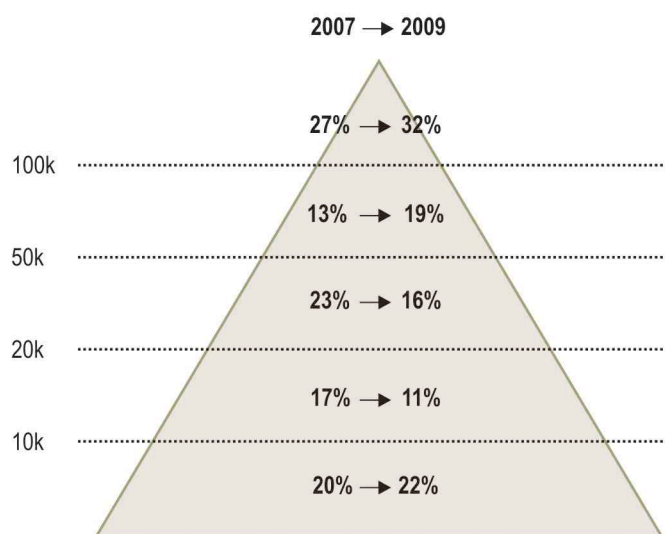
MICROCAPITAL MARKET INDICATORS | SOUTH ASIA

142 MFIs REPORTING¹

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

MFI NAME	COUNTRY	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2007	2009
SKS Microfinance Private Limited	India	349,553,810	92	261,686,368	960,793,988
Spandana Sphoorty Innovative Financial Services Limited	India	302,576,763	108	182,150,736	787,304,262
Grameen Bank	Bangladesh	142,682,661	24	532,024,512	817,389,833
Bandhan	India	125,015,510	101	82,431,184	332,462,204
Asmitha Microfin Limited	India	115,895,505	94	83,648,776	315,439,786
SHARE Microfin Limited	India	112,464,201	58	151,664,960	376,593,362
Equitas Micro Finance India	India	65,214,252	468	4,168,870	134,597,374
Bhartiya Samruddhi Finance Limited	India	61,542,847	87	49,399,252	172,484,946
Bangladesh Rural Advancement Committee	Bangladesh	53,805,459	10	528,787,168	636,398,086
Grama Vidiyal	India	52,943,784	117	28,681,182	134,568,751

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., September 2011, based on MFIs reporting to MBB or MIX Market.

UPCOMING EVENTS

Mobile Money Southern Asia

September 26 - September 29, 2011, Mumbai, India

This event will cover launching mobile money systems, getting to market quickly, structuring complex relationships among network operators and banks and expanding access to financial services in developing nations. The standard fee to attend is GBP 1,599, with add-on workshops and various discounts available. More details may be had from Paul Hemmings at paul.hemmings@clarionevents.com or +44 (0)20 7370 8881 or via <http://www.mobile-money-transfer.com/southern-asia/>.

Calgary Microcredit Conference

October 1, 2011, Calgary, Canada

This event will focus on social entrepreneurship by investigating how microcredit can help in the promotion of social business development. *Building Social Business: The New Kind of Capitalism That Serves Humanity's Most Pressing Needs* by Dr Muhammad Yunus will serve as a template for discussion. The fee to attend is CAD 90, and more information is available from <http://calgarymicrocreditconference.eventbrite.com/> or by contacting David A Townsend at datownsend@shaw.ca or +1 403 245 2297.

Arusha Savings Groups Summit

October 4 - October 6, 2011, Arusha, Tanzania

This conference for savings group practitioners will cover problems, trends and "demand-driven innovations." The registration fee of USD 350 is officially past due. Separately priced workshops on "Community Managed Microfinance," "Village Finance" and "How to Add Value to Savings Groups Through Other Activities" will be offered following the summit. For additional details, you may contact Sanjeev Sharma of the Carsey Institute at the University of New Hampshire via smdp.info@unh.edu or +1 603 862 2821, or you may visit <http://www.arushasavingsgroupssummit.org/>.

XIV FOROMIC 2011: Inter-American Forum on Microenterprise

October 10 - October 12, 2011, San Jose, Costa Rica

This forum provides a platform for stakeholders in the microfinance and microenterprise development industry to exchange best practices and strategies in areas such as technology and microfinance, solutions for microenterprise producers, disaster management and measuring social performance. The fee to attend is USD 500. For additional information, you may email foromic@iadb.org, call +1 202 623 1000 or visit <http://www.foromic.org/>.

Near Field Communications - Mobile Payments Forum 2011

October 11 - October 13, 2011, Beijing, China

The event will focus on near field communications and mobile payments in China including enhancing the user experience and innovative mobile financial services. The fee to attend is USD 2,085 for two days or USD 2,895 for three days, with group discounts available. More details may be had via NFC@atunicorn.com, +86 21 3360 0066 or <http://www.nfc-mobilepayments.com/>.

African Microfinance Transparency Forum 2011 Investor's Fair

October 13 - October 14, 2011, Accra, Ghana

This opportunity for microfinance investors and rated African microbanks to connect with each other is premised on the idea that access to commercial funds is correlated with increased transparency. The fee for staff of microfinance institutions is EUR 200, and the fee for others is EUR 500, with discounts available for African Microfinance Transparency (AMT) members and for multiple attendees from one organization. AMT members are also invited to an add-on training presented by the Social Performance Task Force. More details may be had via <http://www.amt-forum.org/en/the-2011-investors-fair.html>, info@amt-forum.org or +352 45 68 68 31.

Investment and Innovation in Microfinance: Africa

October 17 - October 19, 2011, Nairobi, Kenya

This conference seeks to address how best to comply with regulations, strengthen governance, overcome operational challenges, increase funding, develop new products and adopt the latest technology in microfinance. The fee to attend the main conference is USD 674 for representatives of microfinance institutions and USD 2,074 for others, plus 16 percent VAT. Discounts are available for teams of three or more people from the same organization, and a 10-percent discount is available to MicroCapital readers indicating the priority code "MicroCapital". An electronic copy of the conference documentation is also available for purchase. Details can be had via +44 (0) 203 141 8700, info@hansonwade.com or <http://microfinance-africa.com/>.

Opportunity Collaboration

October 17 - October 20, 2011, Ixtapa, Mexico

Commencing on World Poverty Day, this networking and problem-solving event provides an opportunity for social entrepreneurs, nonprofit leaders, social financiers and others to identify opportunities for leveraging resources across organizations and accelerate proven models for reducing poverty. The fee to attend is USD 4,750 per person, including lodging and meals. More information is available via Tracie Hudgins at thudgins@opportunitycollaboration.net or +1 303 956 8431 or via <http://www.opportunitycollaboration.net/>.

Present and Future of Microfinance: Transparency, Client Protection and Social Impact for a Sustainable Growth

October 24, 2011, Milan, Italy

This free event aims to gather international experts in microfinance to discuss themes relevant to the development of microfinance through plenary sessions and parallel workshops. The second Giordano Dell'Amore Microfinance Best Practices International Award will also be presented. For additional information, you may visit <http://www.fgda.org/events/index.php> or contact the organizers at info@fgda.org or +39 0232168401.

MORE DETAILS COMING SOON ON...

2011 SEEP Annual Conference

October 31 - November 2, 2011, Arlington, Virginia, USA

Mobile Money Global Summit and Expo

October 31 - November 3, 2011, Dubai, United Arab Emirates

European Microfinance Week

November 2 - November 4, 2011, Luxembourg

Seventh International Microinsurance Conference 2011

November 8 - November 10, 2011, Rio de Janeiro, Brazil

TBLI Conference Europe 2011

November 10 - November 11, 2011, London, UK

Microcredit Summit Campaign 2011

November 14 - November 17, 2011, Valladolid, Spain

X Anniversary National Conference on Microfinance

November 16 - November 18, 2011, Moscow, Russia

Indian Ocean / South Asia Mobile Payments & Banking Summit

November 21 - November 22, 2011, Colombo, Sri Lanka

Microfinance India Summit 2011

December 12 - December 13, 2011, New Delhi, India

PAPER WRAP-UPS

Access to Financial Services in Nigeria 2010 Survey

Published by Enhancing Financial Innovation & Access, November 2010, 61 pages, available at: http://www.efina.org.ng/EFInA_Access_to_Financial_Services_in_Nigeria_2010_Survey-Key_findings_Updated.pdf

This survey indicates that Nigeria lags behind South Africa, Botswana and Kenya in access to finance. According to the report, 46 percent of Nigerians are financially excluded, compared with 26 percent of South Africans and 33 percent of Kenyans and Botswana. Thirty percent of adult Nigerians - 25 million people - have a bank account, and 67 percent of the adult population - 57 million people - have never been "banked."

Factors identified as most likely to encourage individuals to open bank accounts are increased employment, increased financial education and locating bank services closer to residences and workplaces.

State of the Microcredit Summit Campaign Report 2011

By Larry R Reed, published by The Microcredit Summit Campaign, August 2011, 82 pages, available at: http://www.microcreditsummit.org/SOCR_2011_EN_web.pdf

This report indicates that nearly 9 million Indian households involved in microfinance raised their incomes above USD 1.25 per day between 1990 and 2010. Additionally, a survey of 15,000 Indian households indicated that the likelihood of moving out of poverty is highest for clients who have been associated with a microfinance institution for a period of four to six years.

Commenting on the length of this time period, Chris Dunford, the president of US-based nonprofit Freedom From Hunger states, "Two of the problems I have with the randomized controlled trials that have been done to date are that they haven't studied programs that are known for their deep commitment to ending poverty, and they typically cover a 12- to 18-month period, which is too short a time for real change to take place."

Microcrédito en Colombia

Published by Visión Económica, June 2011, 27 pages, available at: http://www.visioneconomica.com/anexo/perfiles2/d1a_Microcredito_08_2011.pdf

This report indicates that the value of microcredit disbursements in Colombia has risen from the equivalent of USD 1.12 million in 2007 to USD 1.74 million in 2011, an annual growth rate of 15 percent. From 2007 to 2010, the number of borrowers grew from 1.68 million to 2.47 million, and it is estimated that another 1 million people will become microcredit users by 2013.

The report states that approximately 1.2 million micro- and small enterprises in the country account for 96 percent of all companies in Colombia and serve as the major driver of credit demand.

The aggregated microcredit portfolios of NGOs, commercial banks, cooperatives and credit unions in Colombia has grown from approximately USD 2 million in 2008 to USD 3 million at the end of 2010.

10 years: a passionate story of innovation

- Creating value through strong and long-term partnerships
- Double-bottom line investing policy
- Diversified investment portfolio strategy

Assets under Management

- USD 1.1 billion
- Invested in 140 MFIs
- In more than 40 countries

BlueOrchard is a leading commercial microfinance investment manager providing loans to microfinance institutions through **BlueOrchard Finance S.A.** since 2001 and investing in the equity of microfinance institutions and microfinance network funds through **BlueOrchard Investments Sàrl** since 2007.



The BlueOrchard Group • 32 rue de Malatrex
1201 Geneva, Switzerland • Tel. +41 22 596 47 77
info@blueorchard.com • www.blueorchard.com
Offices in Geneva • Lima • New York • Phnom Penh • Bishkek • Bogota



Exploring the Linkages between Food Security and Microfinance: A Study by FINCA in Zambia and Guatemala

By Paul Hamlin, published by FINCA International, September 2011, 5 pages, available at: http://www.finca.org/atf/cf/{FD809671-5979-4D43-BFB8-3301E4FC97EB}/FIELD_Brief%20No%2011_FINCA%20Food%20Security%20and%20Microfinance%20FINAL.pdf

This paper investigates the relationship between food security and access to microfinance, based on observations from microfinance institutions in Zambia and Guatemala. Food security is defined by three primary components - availability, access and utilization - which are measured by whether individuals use various coping mechanisms and strategies.

Through qualitative and quantitative approaches, the authors attempt to address a number of concerns, including whether microfinance uptake has a positive impact on food security, determining different characteristics of rural and urban populations and the possible benefits of lending specifically for agricultural pursuits. The author concludes that access to financial services and "dietary diversity" are correlated.

The State of Microfinance Investments 2011

By MicroRate, August 2011, 15 pages, available at: <http://microrate.com/wp-content/uploads/2011/09/The-State-of-Microfinance-Investment-2011-MicroRate.pdf>

This sixth annual survey of microfinance investment vehicles (MIVs) was compiled from interviews with executives of 80 MIVs that hold aggregate assets of USD 6.4 billion. MicroRate estimates the total assets of all MIVs to be USD 7 billion as of December 2010. Survey findings include that: (1) the economic crisis led to the lowest growth rate observed in the past six years, with total MIV assets growing 12 percent in 2010; (2) some of the excess liquidity that was built up in 2009 was reduced, falling from 15 percent to 12 percent during 2010; (3) domestic funding has been crowding out foreign private capital in some countries; (4) Latin America and the Caribbean received 35 percent of total MIV investments, moving into second place behind the Europe and Central Asia region, which received 38 percent; (5) fund executives predict annual growth rates of 20 to 30 percent for the remainder of 2011 and into 2012; and (6) microfinance institutions and MIVs are prioritizing social performance.

FINCA Client Data Viewed through World Bank's Human Opportunity Index

By Paul Hamlin, published by FINCA International, June 2011, 2 pages, available at: http://www.finca.org/atf/cf/{FD809671-5979-4D43-BFB8-3301E4FC97EB}/FINCA%20Human%20Opportunity%20Index%20_HOI_%20Synopsis%20June%202011.pdf

In this study, the author analyzes data from microfinance clients and their children in Ecuador, El Salvador, Honduras, Mexico and Nicaragua. Through regression analysis, correlations are sought among school attendance, access to quality housing, improved sanitation, food security and a past relationship with a microfinance institution (MFI).

The author concludes that food security has a high correlation with school attendance, while past experience with an MFI was highly related to the use of proper sanitation facilities.

The analysis was conducted using the framework of the Human Opportunity Index, a tool developed by the US-based World Bank to estimate "a child's probability of accessing the services necessary to succeed in life."



DEVELOPING
WORLD
MARKETS

Celebrating 10 years of financing microfinance

www.dwmarkets.com

DWM Asset Management LLC
750 Washington Boulevard
Stamford, CT 06901, USA
Tel: + 1-203-655-5453
Fax: +1-203-656-9528
info@dwmarkets.com

Developing World Markets is a leading investment management firm linking socially motivated organizations in the developing world to the international capital markets.

By employing its extensive emerging markets, investment banking and fund management experience, DWM offers tailor-made financial solutions to MFIs around the world to contribute to poverty alleviation including:

Senior Debt · Subordinated Debt · Convertibles · Equity · Syndications · Bond Issues
USD · EUR · Local Currencies

To date, **DWM** has provided financing to over 140 MFIs in more than 40 countries and led or advised on more than \$1 billion in capital raises, with approximately \$850 million in microfinance assets under management (as of 6/30/11).

The Impact of the Global Financial Crisis on Microfinance and Policy Implications

By Gabriel Di Bella, published by the International Monetary Fund (IMF) as IMF Working Paper WP/11/175, 2011, 41 pages, available at: <http://www.imf.org/external/pubs/ft/wp/2011/wp11175.pdf>

The author of this paper considers the following manifestations of the growth of the microfinance industry: scaling-up of microfinance institutions (MFIs), diversification of funding structure (away from subsidized lending toward commercial borrowing), adoption of better management practices and information systems and transformation of nonprofit NGOs into regulated financial institutions partially funded by private capital. In many countries, microcredit now constitutes a significant portion of both GDP and private-sector credit. Consequently, abrupt changes in microcredit delivery in these countries may have adverse macroeconomic consequences. However, before the global financial downturn that began in 2007, it was hard to establish a relationship between MFIs' usual performance indicators and international capital market developments - and even domestic macroeconomic conditions.

This paper sheds some light in this area by reevaluating the issue of general MFI risk and finds - contrary to what was commonly believed prior to 2007 - that MFI performance is linked to both domestic economic conditions as well as to changes in international capital markets. The paper uses data from 353 MFIs from 1998 through 2009. Regressions were performed for various cross sections, time periods and MFI groupings to investigate whether relative systemic risk varies depending on location, legal status (regulated or unregulated), institution type (NGO, bank, co-operative etc), purpose (for-profit or nonprofit) and age.

The study finds that worldwide microcredit growth rates sharply decreased due to the global financial crisis as MFIs' balance sheets were negatively affected both on the liability side - due to a decrease in liquidity - and on the asset side - due to increases in loan delinquency and write-off ratios. Also, MFIs' relatively high interest rates and their lack of transparency in some countries resulted in government-mandated interest rate caps.

The empirical findings suggest that links between MFI performance indicators and both domestic and international economic conditions are stronger than previously believed. In particular, MFIs in Mexico,

Central America and the Caribbean (MCAC); Eastern Europe; and the Middle East and Central Asia seem most sensitive to changes in the domestic and international economic environment; while from an institutional standpoint, banks and non-bank financial institutions show the closest links. These results suggest that MFIs' increased attention toward financial sustainability - ie growth and the commercialization of portfolios - have made them more similar to conventional financial institutions.

The paper also analyzes the factors behind MFI lending rates and interest rate spreads. Results indicate that average loan size, MFI productivity and age explain differences in the rate at which loans are disbursed. Empirical evidence also suggests that more mature MFIs charge lower lending rates. Other variables tracking asset quality and MFI funding structure also appear to be correlated with lending rates. However, the study finds no significant link between lending rates and domestic economic conditions.

Although these links are consistently observed across various regions, institution types, legal status, MFI purposes and age, the systemic risk of some MFI groupings appears to be higher. From a regional perspective, the results suggest that systemic risk is higher for MFIs operating in the MCAC and Eastern Europe regions, while it is lower for those in the Asia-Pacific and South America regions. From an institutional perspective, the systemic risk of banks and non-bank financial institutions appears to be higher, while for NGOs systemic risk is lower. There is also some evidence that the systemic risk of for-profit institutions and younger MFIs is higher relative to that of nonprofit MFIs and more mature institutions.

The results of this study "also suggest that if the policy objective is to reduce interest rates, regulation should, in principle, aim at creating an enabling environment (a market structure) in which MFIs can operate, test their lending technology, introduce innovations allowing

increases in productivity and efficiency, and exert a competitive pressure on each other." Finally, the author argues the importance of strengthening legal frameworks, expanding the use of credit bureaux, improving corporate governance principles and reporting on a standardized and timely basis.

World Council of Credit Unions 2010 Statistical Report

Published by the World Council of Credit Unions, August 2011, 4 pages, raw data and report available in English and Spanish at: <http://www.woccu.org/publications/statreport>

Based on data from 53,000 credit unions in 100 countries, this report calculates a 12-percent increase in aggregate credit union savings from USD 1.1 trillion in 2009 to USD 1.23 trillion in 2010. During the same period, capital reserves grew by 10 percent. Credit union activities grew the fastest in Africa, Asia and Latin America, reflective of these regions' overall economies. Credit union members increased their savings in all regions except Europe. Lending fell in the Caribbean, Europe and North America.

Inclusão Financeira

Published by the Central Bank of Brazil, November 2010, 110 pages, available at: http://www.bcb.gov.br/pre/microfinancas/anaais_I_forum_inclusao_financeira%20indd.pdf

This report outlining the financial inclusion initiative of the Central Bank of Brazil proposes improved regulation as well as that the microfinance industry take the following steps: (1) create a certification system for microfinance institution transparency; (2) establish credit bureaux to assist microfinance institutions in preventing over-indebtedness; (3) introduce alternate distribution channels such as mobile technology; (4) diversify products to meet consumers' needs; and (5) offer consumers financial education so that they can utilize the services and products to their best advantage.

SUBSCRIBE TO THE MICROCAPITAL MONITOR

The MicroCapital Monitor is available only by paid subscription. Subscribe today to support a representative voice for microbankers and investors at MicroCapital.org or by calling +1 617 648 0043. Subscriptions include 12 monthly issues and access to all back issues.

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