

MICROCAPITAL BRIEFS | TOP STORIES

Royal Bank of Scotland Sells 4.6% Stake in SKS to Merrill Lynch for \$12m

Please see page 3 for coverage of this "MicroCapital Deal of the Month."

MIF to Place \$5.8m in Nxtp Labs for Tech Start-ups in Latin America

The Multilateral Investment Fund (MIF), a member of the US-based IDB (Inter-American Development Bank) Group, recently approved an equity investment of USD 5 million and USD 750,000 in technical assistance for Nxtp Labs, an Argentinian company that buy equity stakes of up to 10 percent in early-stage technology firms in Latin America. Nxtp also offers training, consulting and "demo days" that connect entrepreneurs with potential investors. Nxtp Labs intends to use a portion of the funds to increase its support for women entrepreneurs. MIF Senior Investment Officer Susana Garcia-Robles said, "we hope to encourage the creation of a more dynamic entrepreneurial culture in which entrepreneurs can take risks without being stigmatized if their first attempts fail." May 1. 2013

Nonperforming Microloan Ratio in Rwanda Falls to 8.5%

The ratio of nonperforming microloans in Rwanda reportedly dropped during 2012 from 12 percent to 8.5 percent. During the same period, total assets in the microfinance sector grew from the equivalent of USD 127 million to USD 161 million, gross loans increased from USD 67 million to USD 95 million, and deposits grew from USD 75 million to USD 87 million. Challenges in the sector include "drawn-out" bureaucratic procedures, illiteracy, high operational costs, high interest rates and poor marketing. Rita Ngarambe, executive secretary of the 84-member Association of Microfinance Institutions in Rwanda, was quoted as having said, "We have put in much effort to help microfinance institutions to build capacity in their management especially in loan disbursement and collection...[and] to design products suitable for their clients." April 29. 2013

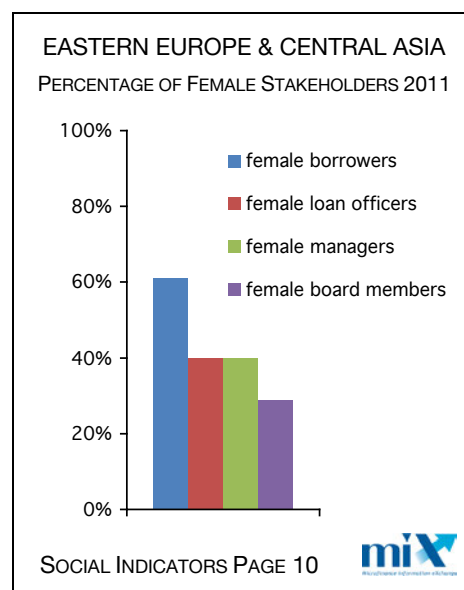
BBVA's CRAC Nuestra Gente of Peru to be Merged into Confianza

Regulators in Peru recently approved the merger of microbanks Caja Rural de Ahorro y Credito (CRAC) Nuestra Gente and Financiera Confianza, operations with combined assets equivalent to USD 462 million, 456,000 clients and 180 offices and kiosks. Before the transaction took effect, Fundacion Microfinanzas BBVA, which was founded by Spain-based Banco Bilbao Vizcaya Argentaria (BBVA) Group, held an 80-percent stake in CRAC Nuestra Gente, which in turn held a 49-percent stake in Financiera Confianza. The size of the stake that Fundacion Microfinanzas BBVA will hold in the new entity has not been disclosed. Fundacion Microfinanzas BBVA is also affiliated with microbanks in Argentina, Chile, Colombia, the Dominican Republic, Panama and Puerto Rico. April 27. 2013

Caspian Advisors Launches Impact Investments Fund

Caspian Advisors Private Limited, an Indian company specializing in socially responsible investments, recently launched Caspian Impact Investments, a fund targeted to raise USD 40 million for low-income housing, agriculture and micro- and small business finance. The fund has raised USD 10 million from Caspian Advisors; Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden, a Dutch development finance institution; US-based Gray Ghost Microfinance; and Triodos Doen and the Hivos-Triodos Fund, which are managed by Netherlands-based Triodos Bank. Caspian Impact Investments will disburse loans at an annual interest rate of approximately 14 percent, 2 percentage points higher than commercial banks reportedly often charge such companies. Caspian Advisors previously raised a total of USD 120 million for its Bellwether Microfinance Fund and India Financial Inclusion Fund. April 18. 2013

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MICROCAPITAL BRIEFS

Triodos Opens Pioneer, Equity Funds for Retail Investors

Triodos Bank of the Netherlands has launched two new investment funds, the Sustainable Pioneer Fund and the Sustainable Equity Fund. The Sustainable Pioneer Fund is an equity fund that focuses on small and medium-sized firms that address sustainable energy, medical technology, clean water and other environmental technologies. The Sustainable Equity Fund invests in larger-scale firms that meet undisclosed social and environmental performance criteria. Both funds require a minimum investment equivalent to USD 1,300. Triodos has total assets of USD 7 billion and 400,000 customers in Belgium, Germany, Spain and the UK in addition to the Netherlands. May 9. 2013

EFSE to Loan \$6m to Inecobank of Armenia, Banja Luka of BiH

The European Fund for Southeast Europe, a Luxembourg-based microfinance investment vehicle, recently notified MicroCapital that it loaned the euro-equivalent of USD 5.2 million to Mikrofin Banja Luka of Bosnia and Herzegovina and the local-currency equivalent of USD 912,000 to Inecobank of Armenia. Inecobank, which primarily serves rural micro-, small and medium-sized enterprises, reports total assets of USD 220 million, a gross loan portfolio of USD 167 million, deposits of USD 64 million, return on assets (ROA) of 4.2 percent and return on equity (ROE) of 23 percent as of 2012. Mikrofin Banja Luka, a lender to microentrepreneurs, reports total assets of USD 127 million, a gross loan portfolio of USD 103 million, 37,000 active borrowers, ROA of 1.1 percent and ROE of 4.2 percent as of 2011. May 9. 2013

Absolute Loans \$13m in Eurasia, South America

Absolute Portfolio Management, an Austrian firm that invests in microfinance and other sectors, recently notified MicroCapital that it loaned the equivalent of USD 13 million during April 2013 through its Dual Return Funds to microfinance institutions (MFIs) in Armenia, Azerbaijan, Ecuador, Honduras, Kyrgyzstan, Mongolia, Peru, the Philippines, Russia and Tajikistan. Of this amount, USD 7.5 million was issued in local currency. While the size of each investment was not disclosed, the recipient that was named is FINCA Armenia, a subsidiary of US-based nonprofit Foundation for International Community Assistance (FINCA) International. As of 2010, FINCA Armenia reported total assets of USD 28 million, a gross loan portfolio of USD 25 million, 38,000 active borrowers, return on assets of 4.9 percent and return on equity of 22 percent. May 9. 2013

U'yo'olche, FMCN Seek Carbon Credits for Cook Stoves in Mexico

Mexican environmental NGOs U'yo'olche and Fondo Mexicano para la Conservación de la Naturaleza have provided 2,000 fuel-efficient stoves to families in rural southern Mexico with the aim of reducing wood consumption, hazardous household smoke, household expenses and the risk of accidents. Each of the stoves is bundled with a solar food and beverage heater at a price of USD 162. Families may finance this cost interest-free through an undisclosed partner institution with repayments of USD 8 per week. Based on the reduced emissions of the stoves, the project sponsors hope to sell carbon credits, tradable permits for emitting a certain amount of carbon dioxide, to expand the use of the stoves and provide training on their use, allowing women to shift time spent gathering wood to other activities. May 8. 2013

EFSE Loans \$16m to ACBA-Credit Agricole Bank of Armenia

The European Fund for Southeast Europe, a Luxembourg-based microfinance investment vehicle, recently notified MicroCapital that it loaned USD 15 million plus the local-currency equivalent of USD 970,000 to Agricultural Cooperative Bank of Armenia-Credit Agricole Bank (ACBA), which is partially held by French bank Credit Agricole. ACBA reports assets of USD 574 million, 229,000 depositors, return on assets of 3 percent and return on equity of 14 percent. May 7. 2013

EBRD Opens \$111m in Credit Lines to Bulgarian SMEs

The UK-based European Bank for Reconstruction and Development (EBRD) has agreed to loan up to the equivalent of USD 111 million to two units of French-based Societe Generale Group to finance the growth of small and medium-sized enterprises (SMEs) in Bulgaria. Societe Generale Expressbank (SGE), the group's Bulgarian banking arm, will receive access to up to USD 98 million in three tranches over three years. Sogelease Bulgaria, SGE's leasing arm, will receive access to USD 13 million to fund medical equipment, agricultural equipment, trucks, trailers and commercial vehicles. As of 2011, SGE reported total assets of USD 2.3 billion, 377,000 customers, return on assets of 1.5 percent and return on equity of 12 percent. Societe Generale Group, which has assets of USD 1.6 trillion, operates in 77 countries. May 7. 2013

Number of Indian Villages with Financial Access Tripled to 211k

According to data reportedly presented by Deepali Pant Joshi, executive director of the Reserve Bank of India (RBI), the number of Indian villages with access to banking services has risen from 67,000 in March 2010 to 211,000 in December 2012, out of a total of 600,000 villages in the country. The rise was due in part to an increase in business correspondents (BCs), individuals or entities appointed to act as bank agents where banks have no branches. The number of BCs increased from 34,500 in 2010 to 152,000 in 2012. In addition, 4,300 traditional branches were opened in previously unbanked villages from April 2012 to December 2012. As a result of this growth, which occurred mostly in larger villages, RBI reportedly will increase its focus on pushing financial access to villages with populations under 2,000. May 7. 2013

IFC to Advise La Nacional of the Dominican Republic on Risk

The International Finance Corporation (IFC), the private-investment arm of the World Bank Group, has announced a cooperation agreement with Asociacion La Nacional de Ahorros y Prestamos, a financial institution in the Dominican Republic, to advise La Nacional on strengthening its risk management and corporate governance practices in an effort to improve its service to low-income individuals and small and medium-sized enterprises. The services are in support of IFC's USD 5 million loan to La Nacional that was reported in the January issue of this newspaper. La Nacional has total assets of USD 491 million, a gross loan portfolio of USD 299 million and total deposits of USD 420 million. May 6. 2013

IFC, Daiwa Issue \$97m in Microfinance Bonds in Japan

The World Bank Group's International Finance Corporation (IFC) recently issued the equivalent of USD 97 million in microfinance bonds to Japanese retail and institutional investors in an effort to expand financial access to poor people in developing countries. The securities are being managed and distributed by Japan's Daiwa Securities Group in denominations of ZAR 100,000 (USD 11,200), with an interest rate of 5.2 percent per annum and terms of five years. IFC will invest an additional amount equal to the bond proceeds to support the same activities. May 6. 2013

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information on microfinance. Thank you!

LeapFrog, Kinnevik Invest \$7m in Bima Mobile Microinsurance

LeapFrog Investments, a Mauritius-based investor in microinsurance, recently announced plans to invest USD 4.3 million to take a stake of undisclosed size in Bima, a Sweden-based mobile microinsurance provider that operates in emerging markets in Africa and Asia. Investment AB Kinnevik, a Swedish holding company that holds a majority stake in Bima, also is increasing its commitment by USD 2.8 million. Bima, which has 4 million customers and total assets equivalent to USD 7.5 million, offers life, accident and hospitalization insurance, with costs ranging from USD 0.20 to USD 6 dollars per month. Bima coverage is based on mobile phone expenditures, with coverage increasing as mobile spending increases. LeapFrog President Andrew Kuper said, "When airtime adds to their insurance, customers turn from price-conscious pay-and-go customers to loyal subscribers." May 3, 2013

ResponsAbility Loans \$8m to Banco Pichincha of Ecuador

ResponsAbility Social Investments of Switzerland has notified MicroCapital that it recently disbursed a loan of USD 8 million to Banco Pichincha of Ecuador, a commercial bank that offers financial services to organizations ranging from microenterprises to large corporations. USD 3 million of the total was disbursed as subordinated debt. Banco Pichincha reports total assets of USD 7.9 billion, 1.8 million customers, return on assets of 0.08 percent and return on equity of 0.87 percent. May 3, 2013

EBRD Launches \$100m Credit Line for Energy Efficiency in Russia

The UK-based European Bank for Reconstruction and Development recently launched an energy efficiency credit line valued at USD 100 million to be on-lent via local private banks to benefit Russian households, housing associations and service providers. Center-Invest Bank of Rostov is the first to sign up for the program, borrowing the equivalent of USD 24 million to on-lend to its clients in southern Russia. The program will be supported by USD 5.2 million in technical assistance funding from the Austrian government. The residential sector in Russia reportedly uses three times more energy per square meter than housing in EU countries with similar weather conditions. EBRD previously invested USD 2.9 billion in similar efforts in Russia, resulting in annual reductions of 9 million tons of oil burned and 18 million tons of climate-warming gasses released. May 2, 2013

Uganda Rural Challenge Fund to Grant \$10m for New Products

The Uganda Rural Challenge Fund, the first element of the Rural Finance Enhancement Programme of German development bank Kreditanstalt für Wiederaufbau Bankengruppe, recently was launched with the equivalent of USD 10 million to provide matching grants to Ugandan financial institutions for the "development of new financial products and business approaches for rural financing." The program is being executed by Uganda's Agribusiness Initiative Trust, which was founded in partnership with the government of Denmark. May 1, 2013

India's Citrus Pay Raises \$2m in Equity from Sequoia

Mumbai's Citrus Pay, whose payment platform allows consumers and merchants to complete electronic payments in two steps that take as little as four seconds, has sold a minority stake to Sequoia Capital, a US-based venture capital firm, for USD 2 million. Approximately 500 merchants use Citrus Pay's online payments and email invoicing services. April 30, 2013

IFC, Bank of Shanghai Commit \$80m to SME Energy Upgrades

The World Bank Group's International Finance Corporation (IFC) has provided a finance facility equivalent to USD 80 million to China's Bank of Shanghai to on-lend to the energy-efficiency and renewable-energy projects of small and medium-sized enterprises in China. IFC will also support the project with advisory services. Bank of Shanghai reports total assets of USD 106 billion. April 30, 2013

MicroCapital Deal of the Month

Royal Bank of Scotland Sells 4.6% Stake in SKS, Merrill Lynch Buys in for \$12m

Merrill Lynch Capital Markets Espana, a subsidiary of US-based Bank of America, reportedly has purchased the 4.6-percent stake in India's SKS Microfinance Limited that the Royal Bank of Scotland Group recently sold via the open market for INR 630 million (USD 11.7 million). The Royal Bank of Scotland bought the stake from Deutsche Securities Mauritius, a subsidiary of Deutsche Asia Pacific Holdings, in September 2012 for INR 587 million, which was equivalent to USD 10.3 million at the time. The Royal Bank of Scotland which has operations in Asia, Europe and North America, reports total assets of USD 1.6 trillion, and Bank of America reports total assets of USD 2.2 trillion. As of September 2012, SKS reported total assets of USD 354 million and 3.9 million borrowers. As of March 2012, the microlender reported return on assets of -46 percent and return on equity of -111 percent. April 29, 2013

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Plays, Postcards Help Indian Microinsurers Boost Renewals

Microinsurance providers in India recently have turned to strategies such as street plays and postcards handwritten in local languages to increase policy renewals. These strategies reportedly have helped decrease renewal costs by approximately 35 percent, offsetting challenges such as low literacy, low product awareness, language barriers and poor infrastructure. Yogesh Gupta, the head of business procurement and microinsurance at German-Indian joint venture Bajaj Allianz Life Insurance, reportedly said, "We faced a lot of challenges in the initial phase, but our experience in this sector helped us to design innovative and cheaper tools like use of postcards, tele-calling [and] panchayat [village government] meets...." April 30, 2013

Stree Nidhi to Loan \$310m to SHGs in India's Andhra Pradesh

Stree Nidhi Credit Cooperation Federation Limited, a microfinance bank established by the government of the Indian state of Andhra Pradesh, recently agreed to boost its lending to self-help groups (SHGs) to the equivalent of USD 310 million during the fiscal year ending March 2014 from USD 120 million during the previous year. During the year ending March 2013, Stree Nidhi served 460,000 members of 117,000 rural SHGs, reportedly recovering loans at a rate of 98 percent, collecting USD 4 million in deposits and netting profits of USD 3.4 million. April 30, 2013

India's Cashpor, Utkarsh Deploy Data, Grievance Systems

Indian nonprofit microlender Cashpor Micro Credit has partnered with India's Atom Technologies on a system whereby field officers use handsets to upload client data such as meeting attendance records, repayment amounts and requests for new loans. Utkarsh Microfinance Private Limited, a non-banking finance company, established a toll-free telephone line for clients to bypass local staff to lodge grievances that the firm will aim to resolve within two days. April 30, 2013

IFC, G20 Launch Online “Women’s Finance Hub”

The International Finance Corporation, the private-investment arm of the World Bank Group, and the Global Partnership on Financial Inclusion, an effort of the Group of 20 large economies, have partnered to launch the “Women’s Finance Hub,” an online platform intended to advance financial access for female entrepreneurs by disseminating research and other information on issues related to women’s markets, addressing gaps in data, promoting collaboration among researchers and highlighting innovation and best practices. April 29. 2013

India’s Equitas, Ujjivan Each Borrow \$10m from IFC

The World Bank Group’s International Finance Corporation reportedly will lend USD 10 million each to Indian microlenders Equitas and Ujjivan Financial Services. Both intend to use the funds to expand outreach to poorer states in northern and eastern India. Equitas reports assets of USD 199 million, a gross loan portfolio of USD 188 million, 1.2 million active borrowers, return on assets (ROA) of 2.1 percent and return on equity (ROE) of 7.22 percent. Ujjivan Financial Services reports assets of USD 186 million, a gross loan portfolio of USD 171 million, 855,000 active borrowers, ROA of 0.24 percent and ROE of 1.1 percent. April 29. 2013

Unit Trust of Tanzania Launches UTT Microfinance

The government-owned Unit Trust of Tanzania (UTT) reportedly has launched UTT Microfinance, which offers loans at an annual interest rate of 18 percent via mobile money platforms. Loan sizes for individuals range from the equivalent of USD 31 to USD 31,000, with business loans capped at USD 1.2 million. Loan terms range up to two years, with payments due monthly. April 26. 2013

ProCredit Bank Bulgaria Launches Home Loans

ProCredit Bank Bulgaria, a member of Germany’s ProCredit Holding, has launched a loan program for clients buying homes and refinancing existing home loans. Although the interest rate has not been specified, the bank offers lower fixed rates and fee waivers to borrowers making energy-efficiency improvements. The maximum repayment period is 25 years, and the bank offers a grace period for the first 12 months. ProCredit Holding has operations in 21 countries, and ProCredit Bank Bulgaria reports total assets of USD 845 million. April 25. 2013

Ghana Association, Star to Channel Insurance Through MFIs

The 500-member Ghana Association of Microfinance Companies (GAMC) and Star Microinsurance Services Limited, a Ghana-based insurer of 550,000 clients, recently agreed to distribute microinsurance products to microfinance institutions (MFIs). Richard Amaning, the executive secretary of GAMC, said that if “members protect their business from risks such as death of borrower, destruction of clients’ property by fire, death of the spouse of a client; it will help the MFIs and their clients mitigate some of their risk which will in turn create a stronger ground for growth.” April 25. 2013

**MEDA Launches “Financial Solutions Youth” in Morocco**

Mennonite Economic Development Associates (MEDA), a Canadian NGO that works to alleviate poverty in 56 countries, and its Moroccan division, MEDA Maroc, are launching “Financial Solutions Youth” to provide Moroccan microfinance institutions with consulting and training on youth-focused customer service, product development and risk management. April 25. 2013

Philippines Boosts “Microbanking” Savings Cap to \$970

Bangko Sentral ng Pilipinas reportedly has increased the maximum allowable balance for savings accounts at microbanking offices (MBOs) from the equivalent of USD 360 to USD 970. In 2010, the Philippines authorized the establishment of MBOs, which are specialized bank branches in rural areas that accept microdeposits, disburse microloans, sell microinsurance, purchase foreign currency and receive and disburse electronic money transfers. While the number of active MBOs is not available, 108 banks applied to operate 822 MBOs from January to August 2012. April 24. 2013

DemirBank of Azerbaijan to Accept Payments at Bank Machines

DemirBank, an Azerbaijani commercial bank that serves small and medium-sized enterprises, recently announced that its customers may make fee-free loan repayments at the firm’s 60 automated teller machines using bank cards issued from any bank. Customers can also make repayments at any of 700 payment terminals in the country. With assets of USD 443 million, DemirBank classifies approximately 35 percent of its operations as microfinance. Its minority stakeholders include the UK-based European Bank for Reconstruction and Development and the Dutch public-private partnership Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden. April 24. 2013

Nigeria’s Mutual Benefit Assurance Pursues Microinsurance

Mutual Benefit Assurance Plc of Nigeria recently announced that it has established a microfinance bank to promote its microinsurance offerings, which offer premiums as low as the equivalent of USD 0.30 for three days of life and hospital coverage totaling USD 600. Mutual Benefit, which reports assets of USD 140 million, has sold 65,000 such policies as of April. The firm also organizes trade groups into cooperative units that can borrow up to USD 63,000. April 23. 2013

IFC Places \$22m in Equity in Ratnakar Bank of India

The International Finance Corporation, a member of the World Bank Group, has made an equity investment of USD 22 million in Ratnakar Bank, a private commercial bank in India, to promote Ratnakar’s efforts to increase access to finance for women in rural areas and micro-, small and medium-sized agribusinesses. The bank reportedly raised the equivalent of USD 37 million in additional equity from undisclosed parties since January 2013. The sizes of the stakes acquired have not been disclosed. Ratnakar reports total assets of USD 103 billion and return on assets of 1.38 percent. April 23. 2013



To Fight Corruption, DRC Pays 270k Civil Servants by Mobile

Since Prime Minister Augustin Matata Ponyo vowed in 2012 to digitize wage payments to minimize corruption, the Democratic Republic of Congo has issued wages to 270,000 of 1 million civil servants via mobile banking at an initial cost of USD 3.50 per account. By June, all of the workers are slated to have mobile banking accounts, which can be used to pay bills as well as to make deposits, retail purchases and other transactions via text messaging, also known as short message service (SMS). When cash wages are passed down the hierarchy, it is reportedly common for civil workers and soldiers to receive the equivalent of USD 5 of a USD 60 monthly wage. The transition so far has uncovered hundreds of "ghost workers," whose salaries were systematically stolen. April 23, 2013

Ingenico Launches iWB Bio Mobile Biometric ID Service

Ingenico, an electronic payment firm based in France, recently launched a mobile fingerprint identification service called the iWB Bio Series intended to allow financial institutions and governments to identify individuals without identification documents. Ingenico operates in 125 countries and reports assets of USD 1.1 billion. April 23, 2013

Ghana's UT Bank Sells 34% Stake to DEG, IFC, ACF for \$23m

Deutsche Investitions-und Entwicklungsgesellschaft (DEG), a German development finance institution; the World Bank Group's International Finance Corporation (IFC); and the African Capitalization Fund (ACF), a US-based investment fund managed by IFC Asset Management Company, recently placed equity investments totaling the equivalent of USD 23 million in UT Bank Limited, a publicly-traded Ghanaian bank formerly known as Unique Trust Financial Services. DEG purchased a 13.5-percent stake in UT Bank, while IFC and ACF purchased stakes of 10.1 percent each. UT Bank, whose products include microfinance services, reports total assets of USD 517 million, a net profit of USD 11 million for 2012 and 25 branches. April 23, 2013

Easypaisa of Pakistan Launches Mobile Savings

Easypaisa, a Pakistani provider of branchless banking services, has launched a mobile savings product called Khushaal Munafa, which offers annual interest rates ranging from 6 percent on balances equivalent to USD 20 up to 9 percent on balances over USD 250. Easypaisa was launched in 2009 by two units of Norway's Telenor Group, Telenor Pakistan and Tameer Micro Finance Bank. Easypaisa has 4 million users and 22,000 agents in 750 municipalities. Telenor Group provides mobile services to 148 million subscribers in 12 countries. April 22, 2013

Inecobank Hits Lending Goals to Secure \$700k from IFC

Inecobank, an Armenian microfinance bank, has increased its rural lending at a pace sufficient to acquire all of USD 700,000 offered to the bank as performance-based grants by the World Bank Group's International Finance Corporation. The disbursements, which were contingent on meeting undisclosed targets relating to "penetrating new market segments...to reach underserved segments of the population," were intended to catalyze 71,000 microloans to individuals and small businesses. Inecobank reports assets of USD 220 million. April 22, 2013

Muthoot of India to Offer \$19m in NCDs to Boost Microfinance

Muthoot Fincorp Limited, an Indian non-banking finance company (NBFC), recently announced plans to sell the equivalent of USD 19 million in non-convertible debentures to fund expanded lending to micro-, small and medium-sized enterprises as a means of diversifying beyond retail loans secured by gold. As part of this effort, Muthoot Fincorp recently acquired Panchratna Securities, an Indian finance company, and has applied to register the new subsidiary as an NBFC-microfinance institution. Muthoot Fincorp, a member of Indian financial services group Muthoot Pappachan Group, operates 3,300 branches and reported a net profit of USD 56 million on revenue of USD 279 million for the year ending March 2012. April 22, 2013



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Thai Credit Retail Bank Shifts Focus to Microenterprise Lending

Thai Credit Retail Bank reportedly has restructured to reduce its emphasis on mortgage and used-car loans in favor of small business loans up to the equivalent of USD 174,000. Thai Credit's shareholders include Thai Life Insurance and Polaris Capital, an arm of Indonesian private equity firm Northstar Group. Thai Credit reports total assets equivalent to USD 819 million. April 22, 2013

IFC, Jordan Ahli Bank Launch SME Toolkit in Jordan

In Jordan, the World Bank Group's International Finance Corporation (IFC) and Jordan Ahli Bank recently launched the SME Toolkit, a free online platform intended to help small and medium-sized enterprises improve business practices, access financing and enter into new markets through information and educational resources customized for the Jordanian market. Developed in partnership with US-based technology firm IBM in 2002, the SME Toolkit has been localized and deployed by IFC in 40 countries in 17 languages. April 22, 2013

India Expands Allowable Microinsurance Agent Entity Types

India's Insurance Regulatory and Development Authority recently expanded the types of entities eligible to serve as microinsurance agents beyond NGOs, self-help groups and microfinance institutions to include district and regional cooperative banks, primary agricultural cooperative societies, banking correspondents of national banks and retailers such as gasoline stations, telephone kiosks and subsidized and unsubsidized food shops. April 22, 2013

IFC, Central Bank of Belize to Establish Credit-reporting System

The World Bank Group's International Finance Corporation is providing unspecified support to the Central Bank of Belize to launch a credit-reporting system intended to increase financial access for individuals and small businesses. April 21, 2013

Rwandan MFIs Call for End to "Double Taxation"

According to statement attributed to Peter Rwema, the director of research and development of the 84-member Association of Microfinance Institutions of Rwanda (AMIR), "Clients pay 18 percent value-added tax (VAT) on collateral and again pay 18 percent VAT when repaying the loan." Richard Tusabe, the commissioner of domestic customs for the Rwanda Revenue Authority, reportedly stated, "We are in touch with [AMIR,] and we believe the issue of double taxation will be settled." April 19, 2013

Nationwide of PNG Launches MiLife Mobile Life Microinsurance

Nationwide Microbank of Papua New Guinea recently launched MiLife, a mobile microinsurance product that covers the lives of low-income married couples. The policy offers a payout of USD 2,300 in the event of either insured's death and is available for purchase only through MiCash, Nationwide's mobile banking service. The combined annual cost of the mobile banking account and the insurance premium is equivalent to USD 25. Nationwide reports total assets of USD 37 million. April 19, 2013

Utkarsh of India Raises \$3.7m in Equity from Aavishkaar, IFC, NMI

India's Utkarsh Micro Finance Private Limited reportedly has received equity investments totaling the equivalent of USD 3.7 million from the Frontier Fund of the public-private Norwegian Microfinance Initiative; Aavishkaar Goodwill India Microfinance Development Company, an Indo-Dutch for-profit investor; and the World Bank Group's International Finance Corporation. The investments, which bring the microlender's net worth to USD 12 million, will reportedly be used to strengthen Utkarsh's presence in the Indian states of Bihar, Madhya Pradesh, Uttar Pradesh and Uttarakhand. As of 2011, Utkarsh reported total assets of USD 19 million, a gross loan portfolio of USD 15 million, 106,000 borrowers, return on assets of 2.3 percent and return on equity of 6.0 percent. April 19, 2013

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AFI Launches Mobile Financial Services Policy Initiative

The Alliance for Financial Inclusion, a Thailand-based network of financial policymakers from 85 countries, recently launched the African Mobile Phone Financial Services Policy Initiative, which aims to minimize barriers to the growth of such services. April 18. 2013

Tony Elumelu, Rockefeller Launch Impact Fund for Africa

Nigeria's Tony Elumelu Foundation and the US-based Rockefeller Foundation recently announced the launch of the Impact Economy Innovations Fund, which is expected to supply up to USD 100,000 per project to up to eight efforts to launch poverty-alleviating financial services, foster "entrepreneurial ecosystems" or promote the impact-investing industry in Africa. The fund will be managed by the Global Impact Investing Network, a US-based NGO dedicated to increasing the effectiveness of market-based solutions to social and environmental problems. April 17. 2013

AGF Guarantees \$3.5m in Loans from CBA, I&M to SMEs in Africa

The African Guarantee Fund, a Kenya-based organization that guarantees commercial bank loans to small and medium-sized enterprises in Africa, recently agreed to supply Kenya's Commercial Bank of Africa (CBA) a guarantee equivalent to USD 2.3 million and Kenya's Investments & Mortgages Limited (I&M) a guarantee of USD 1.2 million. Both banks serve Kenya and Tanzania, and I&M also serves Rwanda and Mauritius. The African Guarantee Fund, which operates in nine African countries, was established in 2012 with initial capital sufficient to issue partial guarantees of loans totaling USD 50 million. CBA reports total assets equivalent to USD 880 million, and I&M reports total assets of USD 1.1 billion. April 17. 2013

EBRD May Loan \$550m in Turkey for SMEs, Home Energy Savings

The London-based European Bank for Reconstruction and Development has agreed to loan the equivalent of USD 197 million to Isbank, a Turkish commercial bank, for on-lending to small and medium-sized enterprises involved in agriculture, energy efficiency and renewable energy, with a focus on serving female entrepreneurs. Isbank, which has 1,200 domestic branches and 17 foreign branches, reports total assets of USD 91 million. EBRD also is mulling plans to provide a credit line of USD 350 million to undisclosed banks in Turkey for residential energy efficiency and conservation projects to be undertaken by homeowners, housing groups and service providers. April 17. 2013

Tameer, Pakistan Mercantile to Offer Gold Investment Product

Tameer Microfinance Bank Limited, a Pakistani organization majority-held by Norwegian telecom Telenor, and Pakistan Mercantile Exchange Limited (PMEX), a Pakistani commodity exchange company owned by stock exchanges and banks affiliated with the Pakistani government, recently agreed to offer a gold-based investment product, which will be bought and sold through Tameer branches and agents as well as mobile channels. Tameer reports total assets of USD 92 million, and PMEX reports a monthly trade volume of equivalent to USD 1.6 billion. April 16. 2013

Ghana Gives Boost to Microinsurance Product Innovation

The National Insurance Commission of Ghana reportedly has loosened its regulatory framework to allow insurance companies to sell new types of microinsurance products without prior approval as long as the provider conducts a four-week performance study of the product for submission to the commission for subsequent approval. Claims must be paid to clients within 10 days, and rates are not regulated. Although specifics were not disclosed, the terms and exclusions of the products are to be presented in "simple" language. April 16. 2013

Applications Open for Indian "Social Entrepreneur of the Year"

Switzerland's Schwab Foundation for Social Entrepreneurship and India's Jubilant Bhartia Foundation have announced that they are accepting applications for the 2013 Indian "Social Entrepreneur of the Year Award" through May at: <http://jubilantbhartiafoundation.com/recognising-social-entrepreneurs.html>. Winners will receive access to a range of free consulting, networking and training services. April 16. 2013

Thai Employers Must Pay Health Costs for Migrant Workers

Employers in Thailand reportedly now must pay direct medical costs and three months of health insurance at a total cost equivalent to USD 36 for each for migrant worker they employ plus USD 13 worth of health insurance for each worker's children aged up to 15. The insurance is meant to cover the three-month waiting period for entry to Thailand's social security system. The extent of the benefits offered by the insurance is not available. As of February, it is reported that there are 2.5 million migrant workers in Thailand. April 16. 2013

FNB of South Africa, OK Zimbabwe Launch Mobile Money Corridor

First National Bank, a subsidiary of South African financial services provider FirstRand Limited, reportedly has launched a mobile money transfer service allowing First National account holders in South Africa to send money via their mobile phones for collection at branches of retailer OK Zimbabwe in the cities of Harare and Bulawayo. Fees begin at the equivalent of USD 5 to send up to USD 110. April 16. 2013

India's Bandhan to Apply for Banking License

Indian microfinance institution (MFI) Bandhan Financial Services Private Limited reportedly has announced plans to apply for a banking license, which requires minimum paid-up capital equivalent to USD 91 million and a minimum of 25 percent of new branches to be located in areas with populations under 10,000. Although the reason for converting into a bank, which Bandhan originally announced plans to do in 2011, was not disclosed, MFIs often make such a move to expand the range of sources from which they are allowed to raise investments. Bandhan operates 1,770 branches in 18 states in India and reports total assets of USD 840 million and deposits of USD 10 million. April 16. 2013

China MFI Association to Introduce Ratings

The 92-member China Microfinance Institution Association plans to introduce a credit rating system to evaluate microbanks as early as July. The ratings will incorporate risk management capacity, profitability and impact on the local economy. April 15. 2013



Mobile Money Service Launched via Post Offices in India's AP

A mobile money-order service reportedly will be available at post offices in the Indian state of Andhra Pradesh beginning in October. The service, which will be delivered in partnership with government-backed telecom Bharat Sanchar Nigam Limited, will enable money transfers to any Bharat Sanchar Nigam customer via cash deposits made at any of the 2,438 post offices in the state. The recipient will receive a code by text message - also known as short message service (SMS) - that will enable the recipient to pick up the money at any post office in Andhra Pradesh. Bharat Sanchar Nigam has 97 million mobile subscribers. April 15, 2013

Investors Commit \$73m to India Inclusive Innovation Fund

Undisclosed investors reportedly have made provisional commitments totaling the equivalent of USD 73 million to the proposed India Inclusive Innovation Fund, which would be sponsored by the Indian government with the intent of providing capital to early-stage ventures serving low-income clients. The fund, which was announced in 2011, is slated to receive final approval from the Cabinet during May. The target size of the fund is USD 918 million, of which no more than 20 percent would be invested by the Indian government. Disbursements would range in size from USD 37,000 to USD 920,000. April 15, 2013

Tigo Launches Mobile Banking Service in Chad

In Chad, Luxembourg-based telecommunication firm Millicom International Cellular has launched a mobile banking service called Tigo Cash, which enables money transfers, bill payments and purchases from vendors that accept e-wallet payments. The service operates in partnership with Togo-based Orabank. Tigo serves 47 million mobile users in 17 countries in Latin America, Asia and Africa. April 14, 2013

CGAP, Grameen, MTN Commit \$1m to Mobile Finance Research

US-based nonprofit CGAP (Consultative Group to Assist the Poor); the US-based Grameen Foundation; and Mobile Telecommunications Network (MTN) Uganda, an arm of South Africa's MTN Group, have announced that they are committing a total of USD 1 million in undisclosed portions to develop new mobile financial products that are both commercially feasible and suitable for low-income clients. CGAP CEO Tilman Ehrbeck said, "To achieve our goal of financial inclusion for all, the industry needs to move beyond mobile payments and provide a full array of pro-poor mobile financial products." April 15, 2013

SKS of India Completes Securitizations Totaling \$41m

Indian microlender SKS Microfinance Limited recently completed two securitizations totaling the equivalent of USD 41 million, reportedly bringing the publicly traded company's total to 12 securitizations worth USD 220 million since early 2012. The buyers of the securities have not been named. As of September 2012, SKS reported total assets of USD 354 million and a gross loan portfolio of USD 250 million disbursed to 3.9 million borrowers. As of March 2012, SKS reported return on assets of -46 percent and return on equity of -111 percent. April 11, 2013

Vcash Offers Mobile Access to Western Union Transfers in Nigeria

Virtual Terminal Network (VTN), a Nigerian mobile payment firm, is partnering with Western Union Company, a US-based financial services firm, to allow VTN customers to receive Western Union transfers directly into their VTN Vcash accounts to be accessed via mobile phone. Vcash subscribers can receive up to USD 800 per day via Western Union and then use the balance to pay bills, make bank deposits and transfer funds to other Vcash users. While information on the scale of VTN is not available, Western Union provides services through 500,000 agent locations in 200 countries and territories. April 10, 2013



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FIELD NOTES

"I Have Seen the Future...and It Works:"

Sharing Platforms to Reduce Microfinance Delivery Costs

Last week, I had the privilege of speaking to Niclaus Bergmann, the managing director of Germany's Sparkassenstiftung für Internationale Kooperation (Savings Banks Foundation for International Cooperation). I called Niclaus to discuss Sparkassen's successful efforts in developing financial products for youth. We ended up talking about much more, including a much-needed history lesson for me on the German banking system. I was impressed, to say the least.

Sparkassen is a German network of 423 savings banks with a total of 15,000 branches, 250,000 staff members and revenues exceeding the equivalent of USD 1.4 trillion countrywide. Each of the banks is owned by a municipality - though all are run by professional managers - and each is restricted from operating outside its municipality. Considering the deregulation that has taken place in many developing markets with the aim of encouraging competition, I expect more than a few eyes will roll hearing that Germany has permitted this type of regional monopoly to continue. A brief search online revealed that German regulators were close to ending the regionalization of savings banks after the last financial crisis, but Sparkassen promised to increase efficiencies and was able to avoid the threat. Can many smaller banks be more competitive than one larger bank? There is reason to suspect so. Niclaus points out that the aggregated cost/income ratio of Sparkassen is among the lowest in the country: 62.2 percent compared with 85 to 88 percent at their big-bank competitors.

So how do they keep costs low and income high? The first piece is scale. Reaching scale both in savings and lending brings revenue, and Sparkassen's client base of 50 million (in a country of 81 million people) is impressive. Germany's relative wealth is a clear factor, but sheer volume plays a role as well. It is also important to note that revenues

from Sparkassen's brick and mortar banking are more stable and - in years of turmoil in financial markets - may offer a stronger revenue base than many activities of large commercial banks such as investment banking.

But what of costs? Sparkassen has invested in various joint platforms for its entire network. Most notably, a joint information technology (IT) platform, which reduces costs immensely. This platform, of course, has implications for products. One common IT platform cannot adapt to differing product portfolios from 423 institutions. Products, as a result, have become quite standardized, which is fine since the banks don't compete against each other. Perhaps it would be fine even if they did since developed-country banks compete more on service than they do on products. Other cost savings come from joint risk management functions, which are managed at the regional level while each bank retains control over its own risk taking. Staff training is also done through regional training centers.

Let's imagine for a minute that the many small microfinance institutions (MFIs) in a country such as Mexico were to defray the high cost of training by sharing this cost. Or what if, in a region such as Central America, which is characterized by small institutions, joint IT platforms were shared by networks of MFIs? Would costs be cut? How likely is it that the MFIs could leave their competitive concerns aside to address costs? I suspect we will find out over time as viable non-bank alternatives such as telecoms start to encroach on MFIs' territory, pushing them to adapt or leave their ambitions behind.

About the Author: Ms Barbara Magnoni is President of EA Consultants, a development consulting firm based in New York. She has 18 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\[at\]eac-global.com](mailto:bmagnoni[at]eac-global.com), or you may follow her on Twitter at [BarbaraatEA](#).





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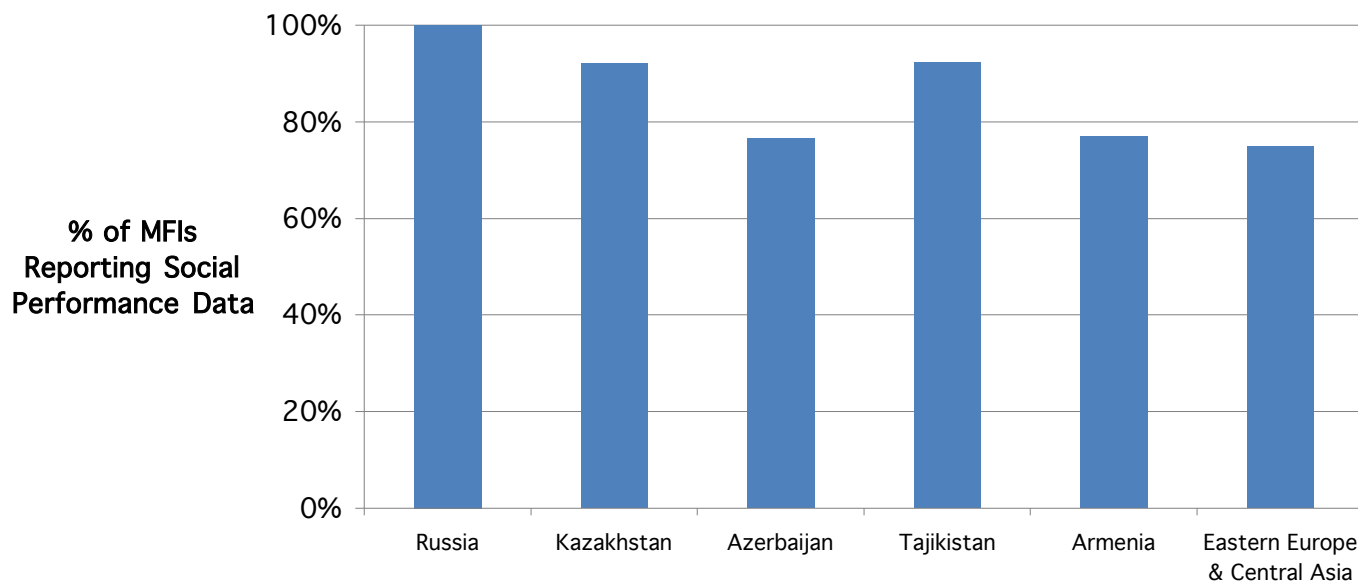


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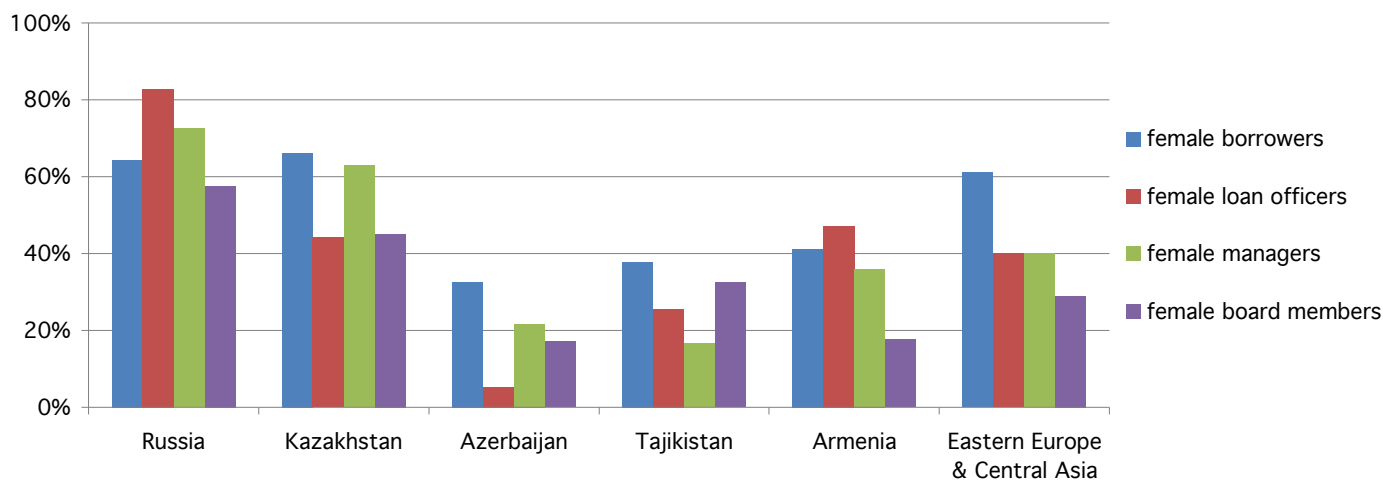
153 MICROFINANCE INSTITUTIONS (MFIs) FROM 18 COUNTRIES REPORTING SOCIAL PERFORMANCE DATA

TOP FIVE COUNTRIES BY MFI REPORTING OF SOCIAL PERFORMANCE DATA



The countries named in the above chart are those from the region from which the greatest number of MFIs reported 2011 social performance data to the Microfinance Information Exchange (MIX). The percentages are calculated by dividing the number of MFIs in each country that reported social performance data by the number that reported financial data to MIX.

PERCENTAGE OF FEMALE STAKEHOLDERS



Percentages for the countries named above include data from 10 to 33 MFIs per country.

Source: Microfinance Information Exchange, May 2013

UPCOMING EVENTS

Association of the Luxembourg Fund Industry Responsible Investing Conference

May 15, 2013, Luxembourg

Sessions at this event will address investing in microfinance and other forms of impact investing, women in finance, Islamic finance, regulation, attracting private investment and achieving industry transparency. The fee to attend the event is EUR 375 with discounts available for members of the Association of the Luxembourg Fund Industry. For more information, you may call +352 22 30 26 1, email [events\[at\]alfi.lu](mailto:events[at]alfi.lu) or visit <http://www.alfi.lu/node/2191>.

Global Forum on Remittances

May 20 - May 23, 2013, Bangkok, Thailand

This event is intended to promote awareness of remittances sent by migrants to their home countries in the Asia-Pacific region and the role of these funds in the development of national and local economies. There is no fee to attend the event. More information may be had via [gfr2013\[at\]ifad.org](mailto:gfr2013[at]ifad.org), +39 065 4591 or <http://www.ifad.org/remittances/events/2013/globalforum/>.

Mobile Money Africa Conference & Expo 2013

May 27 - May 29, 2013, Johannesburg, South Africa

Topics to be discussed at this conference include strategies to stay current with the mobile payments industry, implementing near-field-communication technologies and reducing mobile transaction risks. The cost to register for the main two days of the event is GBP 1,119 with a separate fee for the pre-conference workshop on May 27. Various discounts apply to certain groups. For more details, you may call +44 (0) 20 7384 7910, email [mmt\[at\]clarionevents.com](mailto:mmt[at]clarionevents.com) or visit <http://www.mobile-money-gateway.com/event/mobile-money-africa-2013>.

16th Microfinance Centre Annual Conference: Microfinance 2.0

May 28 - May 30, 2013, Budva, Montenegro

This event seeks to “map the new horizons of an industry emerging from crisis.” The fee to attend is USD 574, with discounts available for members of the Microfinance Centre, which has 103 members and is based in Poland. For more information, you may call +48 22 622 34 65, email [microfinance\[at\]mfc.org.pl](mailto:microfinance[at]mfc.org.pl) or visit <http://www.mfc2013.com/>.

Evidence on Innovations in Financial Capability Conference

May 29 - June 1, 2013, Lima, Peru

This event includes two days of matchmaking to link researchers with practitioners to plan the projects related to financial capability and compete for awards of up to USD 15,000. A two-day conference will focus on recent research and developments relating to increasing financial literacy and addressing behavioral biases through product design. The cost to register is USD 100. More details may be had via [fcresearch\[at\]poverty-action.org](mailto:fcresearch[at]poverty-action.org), +511 422 8316 or <http://www.poverty-action.org/financialcapability/lima2013>.

Payments, Settlements and Remittances Asia 2013

May 30 - May 31, 2013, Manila, the Philippines

This conference will address the state of Asia's payment, settlement and remittance systems, including e-wallets, mobile banking, mobile remittances and managing increased settlement volumes. The registration fee is USD 1,850 excluding post-conference workshops. Cumulative discounts of 10 percent apply to advance registrations and for MicroCapital readers citing the code 82481-MIC. More information is available via +65 6818 6344, [payments\[at\]arcmediaglobal.com](mailto:payments[at]arcmediaglobal.com) or <http://www.arcmediaglobal.com/payments/>.

Third European Research Conference on Microfinance

June 10 - June 12, 2013, Kristiansand, Norway

This event will consider microfinance as part of the banking sector, as a development tool and in terms of governance and management challenges. The participation fee is NOK 2500 with a rate of NOK 1500 available for students. For more information, you may contact Roy Mersland at [roy.mersland\[at\]uia.no](mailto:roy.mersland[at]uia.no) or +47 38 14 10 00, or you may visit: http://www.uia.no/en/div/conferences/microfinance_conference.

Triple Bottom Line Investments Conference USA

June 17 - June 18, 2013, New York, New York, USA

Focusing on investing in ways that respect environmental, social and governance factors, this conference is themed “Rethink the Past and Move On.” On-site registration costs USD 2,000 for both days or USD 1,200 for one day. Significant discounts are available for advance registration. For additional information, you may telephone +31 (0)20 428 6752, email [info\[at\]tblgroup.com](mailto:info[at]tblgroup.com) or visit <http://www.tbliconference.com/>.

MORE DETAILS COMING SOON ON...

Evidence on Innovations in Savings and Payments

June 20 - 24, 2013, Kampala, Uganda

Cracking the Nut: Sourcing for Agricultural Supply Chains

June 25 - June 26, 2013, Dresden, Germany

10th Annual European Microfinance Network Conference

June 25 - June 26, 2013, Stockholm, Sweden

Global Sustainable Finance Conference 2013

July 4 - July 5, 2013, Karlsruhe, Germany

AITEC Banking and Mobile Money West Africa

July 10 - July 11, 2013, Accra, Ghana

World Credit Union Conference

July 14 - July 17, 2013, Ottawa, Canada

6th African Microfinance Conference

August 13 - August 15, 2013, Durban, South Africa

2013 Global Youth Economic Opportunities Conference

September 10 - September 12, 2013, Washington, DC, USA

6th World Forum Convergences 2015

September 17 - September 19, 2013, Paris, France

Global Islamic Microfinance Forum

October 6 - October 8, 2013, Dubai, United Arab Emirates

2013 Partnerships Against Poverty Summit

October 9 - October 11, 2013, Manila, the Philippines

Financial Inclusion 2020 Global Forum

October 28 - October 30, 2013, London, UK

Conference on Sustainable, Responsible, Impact Investing

October 28 - October 30, 2013, Colorado Springs, Colorado, USA

European Microfinance Week

November 12 - November 14, 2013, Luxembourg

9th International Microinsurance Conference

November 12 - November 14, 2013, Jakarta, Indonesia

PAPER WRAP-UPS

Incentives for the Introduction of Agents in Colombia by Banca de las Oportunidades

By Marulanda Consultores, published by CGAP (Consultative Group to Assist the Poor), February 2013, 32 pages, available at: http://www.cgap.org/sites/default/files/colombia_agent_subsidy_english.pdf

This report analyzes a set of incentives offered by Banca de las Oportunidades, an organization of the Colombian government, to expand networks of “non-banking correspondents” (NBCs), individual agents contracted by banks to provide financial services on their behalf in areas without bank branches.

The government began allowing certain banks to use agents in mid-2006, at which point 309 out of 1,100 municipalities in the country lacked banks. By June 2007, there were 1,500 agents in the country, and 25 of the 309 unbanked municipalities had been reached. To increase the rate of expansion into underserved areas, Oportunidades subsidized the expansion of agent networks through three “invitations to tender” issued between 2007 and 2010.

Through these invitations, subsidies were auctioned based on which banks requested the lowest number of guaranteed transactions per municipality.

For the first invitation to tender, Oportunidades specified a three-year time period, a price of USD 0.50 per transaction and a maximum guarantee of 1,400 transactions that could be requested at auction. Transactions were subsidized only if sales did not reach the guaranteed level in order to avoid financing operations that turned out to be profitable. Banks committed to keeping agents active for three years, with transactions guaranteed at the full set price during the first year and at 50 percent in the second year. One hundred and twenty-eight agents were established under the first incentive round in 128 municipalities, each of which had populations of no more than 50,000.

The second invitation to tender supported the establishment of agents in the 67 municipalities that remained unbanked by mid-2009. Because these locations were smaller and more isolated, the subsidy was extended by one year, and the maximum number of guaranteed transactions was increased to 2,200 per municipality. By December 2010, all but six municipalities had been reached.

The third invitation to tender, rather than focusing on rural areas, sought to expand financial services in underserved neighborhoods of five major cities. Rather than offer guarantees, Oportunidades co-

financed operational and set-up costs for establishing new agents in these areas, with funding support decreasing 50 percent in the first year to 25 percent in the second year.

The obstacles Oportunidades encountered included establishing internet connectivity to reach agents, banks’ lack of familiarity with the areas in which agents worked and the difficulty of managing large quantities of cash, including transporting it between the agent and bank branches.

From December 2007 to June 2012, the number of agents nationwide increased from 3,500 to 20,865, and the volume of transactions performed by agents increased from 300,000 to 5 million per month. As of December 2012, agents established under the tenders remained in all but six municipalities.

The authors offer the following lessons learned: (1) incentives alone cannot compensate for basic challenges such as cash management and the development of an appealing value proposition; (2) subsidies were not enough to encourage banks to tailor products to clients’ needs; and (3) the structure of incentives should be adapted to the demographics of each case, such as using co-financing rather than guaranteed numbers to serve small populations.



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VisionSpring: Eye Care for the Base of the Pyramid

By Manaus Consulting, published by the Inter-American Development Bank (IDB), March 2013, 29 pages, available at http://www.nextbillion.net/pubs/images/FINAL_VisionSpring_Evaluation.pdf

This report presents an analysis of a business model that provides eye care in low-income communities in El Salvador. The model was implemented by VisionSpring, a US-based NGO that saw its revenue increase “by more than six-fold” as its grant income decreased by 34 percent between 2010 and 2011. The report highlights the use of a “hub-and-spoke” model, which combines the deployment of five optical stores (hubs) and microentrepreneurs (spokes) dispatched to rural areas with a “business toolkit containing all the products and materials needed for marketing and selling eyeglasses.” Between 2009 and 2012, sales revenue increased from USD 20,000 to approximately USD 332,000, full-time staffing increased from one to 20 people and the number of clients served increased from 3,204 to 15,038. As a result of these developments, the authors argue that the hub-and-spoke model is “a viable solution to serve unmet eye care needs and [be] a source of employment for those at the base of the socioeconomic pyramid.”

Study on the Drivers of Over-Indebtedness of Microfinance Borrowers in Cambodia: An In-depth Investigation of Saturated Areas

By Dannel Liv; published by BlueOrchard Microfinance Investment Management, Incofin Investment Management and Oikocredit; March 2013; 83 pages; available at: <http://www.blueorchard.com/jahia/webdav/site/blueorchard/shared/Publications%20and%20Resources/News%20%26%20Press%20releases/OID-Final%20Report.pdf>

This report presents an analysis of the factors that drive microfinance borrowers in Cambodia to take on excessive levels of debt. According to the report, “Cambodia’s microfinance sector has grown tremendously over the past decade, expanding from just USD 3 million of outstanding loans and 50,000 borrowers in 1995, to a remarkable USD 732 million and 1,197,722 borrowers in 2012.” This influx of credit, as well as the rising numbers of microfinance institutions (MFIs) operating in Cambodia, has led to growing concern that “the increase in competition among MFIs may be leading to cross-lending and possibly, the over-indebtedness of borrowers.” To shed light on the causes of over-indebtedness, the study explores the following four phenomena:

(1) the degree of multiple borrowing and over-indebtedness in selected saturated markets; (2) how over-indebtedness is perceived by microfinance borrowers; (3) the relationship between multiple borrowing and over-indebtedness; and (4) the internal and external drivers of over-indebtedness, including lending behavior and client borrowing behavior.

In studying the degree of over-indebtedness in saturated areas, the study used two definitions, one subjective and the other objective. The objective definition was based on “the traditional view of over-indebtedness that looks at the repayment capacity of the borrower by comparing the debt installments to the net income.” Under this definition, the authors found that 22 percent of the 1,480 clients surveyed were insolvent or over-indebted. The subjective definition was “derived from a client protection perspective and takes into account the sacrifices that borrowers make to repay their debts on time.” Of the 465 clients surveyed, 6 percent of clients fit this definition.

Through two separate econometric analyses, the authors identified the “two variables statistically significant in clarifying differences in objective [over-indebtedness]” to be multiple loans and lack of profit from economic activity.



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Why People Do Not Buy Microinsurance and What Can We Do About It

By Michal Matul, Aparna Dalal, Ombeline De Bock and Wouler Gelade; published by Microinsurance Innovation Facility; February 2013; 31 pages; available at http://www.ilo.org/public/english/employment/mifacility/download/mpaper20_buy.pdf

This paper examines the “determinants of demand” for microinsurance products in the developing world and looks at why, despite its potential to mitigate risk, the demand for microinsurance is low. The authors also offer strategies for practitioners to increase demand for microinsurance products. After reviewing 30 qualitative and quantitative studies, the authors identify the following as primary determinants of microinsurance demand: client understanding of microinsurance, value proposition (and its perception), liquidity constraints, trust and the usage of other risk coping mechanisms. Strategies to address these determinants are assessed based on cost and the promotion of first sales and renewals.

The authors found that people with little understanding of microinsurance were less likely to renew an agreement. Although consumer education was found to increase knowledge, it did not correlate directly to increased demand. For example, the use of a radio campaign was found to be both cost effective and useful in increasing awareness. However, a noticeable increase in demand did not follow. More intensive consumer education programs, like training sessions and village meetings, were found to be more effective at stimulating initial enrolment than were brochures or basic information sessions. However, comprehensive training programs are expensive. As such, the authors argued that intensive programs should perhaps be implemented through government, donors or industry associations.

Other factors seem to vary by product type. Proximity was found to be a factor for weather-index insurance; the further away from a weather station, the lower the demand for index insurance. Demand for health microinsurance was linked directly to quality of

health services; poor service in health centres was cited as a major reason for clients not renewing policies. Products that are perceived to be of greater value to the client were found to offer greater returns to the provider.

Seeking to improve the value proposition for clients, the Sajida Foundation of Bangladesh used the PACE tool, which assesses: benefits, coverage and value-added services (Product); access to information, proximity and payment methods (Access); affordability and delivery costs (Cost); and claims procedures, processing times and customer care (Experience). The process resulted in the organization creating an online claims process that sped up processing times and reduced costs compared with the prior system.

Liquidity constraints were cited as the main reason potential clients did not purchase microinsurance. The authors argue that practitioners can increase demand by providing alternative methods of paying premiums. Offering clients the option to pay when their level of funds are relatively high, such as following harvest season, can stimulate demand. Transaction costs were also found to affect demand. Making the enrolment process simple and nearby can increase demand. While price discounts increased initial sales, they did not increase long-term demand.

Even with price discounts, a lack of trust in an insurer was found to limit demand. If price discounts are employed, practitioners should use the opportunity to build trust by focusing on the quality of the service so as to increase renewals.

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The authors recommend a three-pronged approach when developing strategies to increase trust levels. First, providers can make their products seem more tangible by consistently communicating with their clients. A cost-effective way of doing so is through short message service (SMS, also known as text messaging). Next, potential clients stated that they trusted organizations where they held membership. By affiliating with trusted authorities and sales agents, insurers can improve their chances of gaining clients. Lastly, many clients are influenced by their peers. Public celebration of individual claims also was found to counter the effects of negative opinions.

Access to other risk coping mechanisms such as credit, savings and remittances is another deterrent to buying microinsurance. Positioning microinsurance as a replacement for these services was found to be ineffective. However, the authors concluded that by coupling credit or savings options with insurance, practitioners could increase insurance penetration. For example, offering microinsurance to depositors who maintain a certain savings account balance boosts both savings and insurance. Finally, the authors found that behavioural factors, such as loss aversion and the effects of previous shocks, had negligible effects on demand.

Given the complex nature of microinsurance, the authors recommend that insurers employ a comprehensive strategy in order to cost-effectively balance the stimulation of short-term demand with boosting renewal rates. 📧



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