OCTOBER 2014 | VOLUME.9 ISSUE.10

MicroCapital Monitor

ON MICROFINANCE & OTHER FORMS OF IMPACT INVESTING

MICROCAPITAL BRIEFS | TOP STORIES

DWM Sells 55% of Cambodia's Thaneakea Phum to Sri Lanka's LOLC for $19m

Please see page 5 for coverage of this "Deal of the Month."

FPM of DRC Raises $25m for Wholesale Fund

Fonds pour l'inclusion financière en République Démocratique Congo (FPM), a nonprofit in the Democratic Republic of the Congo, recently raised USD 25.1 million to establish a wholesale investment vehicle to promote financial inclusion in the country via microfinance institutions, cooperatives and commercial banks serving micro-, small- and medium-sized enterprises. The funding comprises USD 13 million from Germany's government-backed Kreditanstalt für Wiederaufbau Entwicklungsbank; USD 8 million from the government-owned Belgian Investment Company for Developing Countries, which is known by its Dutch acronym BIO; USD 4 million from Dutch NGO Catholic Organisation for Relief and Development Aid; and USD 100,000 from Incofin cvso, a fund managed by Belgium's Incofin Investment Management, which will serve as advisor to new vehicle. The beneficiaries of the new fund will also gain access to FPM's technical assistance program. As of 2012, FPM reported total assets of USD 6 million. October 1. 2014

Accion Acquires 10% Stake in Peru's Credinka from Diviso

Accion, a US-based nonprofit, recently acquired a 10-percent stake in Credinka, a microfinance institution based in the Peruvian city of Cusco, from Diviso Grupo Financiero, a Peruvian holding company. The investment, which is of unspecified size, is intended to help Credinka reach more clients. Diviso will remain the majority owner of Credinka, which has 48 branches, 43,000 savers, 33,700 borrowers and roughly USD 150 million each in gross loans and deposits held. October 1. 2014

MFIs in Ghana to Charge for Deposits as Central Bank Gets Tough

According to a statement attributed to Collins Amponsah, the board chairman of the 560-member Ghana Association of Microfinance Companies, all of its members will begin charging clients unspecified fees for holding their deposits as of October. Meanwhile the Bank of Ghana, the country's central bank, reportedly is shutting down and canceling the licenses of microfinance institutions (MFIs) that are engaging in practices such as: (1) charging interest rates in excess of government-mandated limits; (2) transferring operating licenses among organizations; or (3) changing their publicly recognized business name repeatedly to mitigate reputation problems. The central bank's Other Financial Institutions Supervision Department, which oversees MFIs in the country, will no longer approve requests for name changes. In addition, capital requirements for those seeking new microfinance licenses have been increased to the equivalent of USD 79,000 for non-deposit-taking firms and USD 240,000 for deposit-taking firms. The capital requirements for existing firms have been increased to USD 26,000, with twice that amount required of institutions with six or more branches. September 29 and September 22. 2014

FMO Invests $20m in Armenia's Ameriabank

The Dutch development bank Nederlandse Financierings-Maatschappijvoor Ontwikkelingslanden (FMO) recently agreed to invest USD 20 million in Ameriabank, a commercial bank in Armenia, "to expand the bank's capital base by means of a partially convertible subordinated loan." Ameriabank reports total assets of USD 777 million, return on average assets of 2 percent and return on average equity of 16 percent. FMO, which is majority-owned by the Dutch government, reports total assets equivalent to USD 8 billion. September 19. 2014

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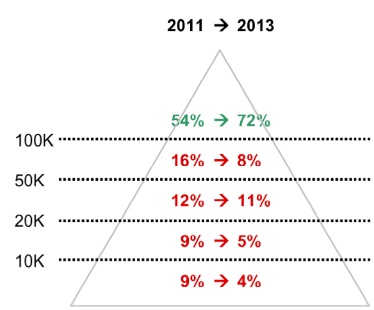
SUB-SAHARAN AFRICA

PERCENT OF MFIS IN MARKET BY SIZE



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MICROCAPITAL BRIEFS

European Investment Fund Loans $2.5m to Vitas of Romania

The European Investment Fund (EIF), a member of the European Investment Bank Group that supports small and medium-sized enterprises, recently loaned the euro-equivalent of USD 2.5 million to Vitas, a Romanian microfinance institution, through European Progress Microfinance, a fund managed by EIF. Vitas General Manager Cristian Jurma said, "this funding will allow us to expand our local-currency lending for the creation and development of micro- and small enterprises in the urban and rural areas of western and central Romania." Vitas Romania has assets totaling USD 9.9 million. October 9. 2014

Citi Donates $2m to 7 Initiatives in India

The Citi Foundation, an affiliate of US-based financial services provider Citigroup, recently announced that it has issued grants totaling the equivalent of USD 1.95 million to seven NGOs in India for projects intended to enable 580,000 people to access services financial education, savings and entrepreneurship programs. For details on each beneficiary, please refer to http://MicroCapital.org. During 2013, the Citi Foundation disbursed grants totaling USD 78 million. October 8. 2014

DID, AFD to Support Togo's FUCEC in Offering New Coop Products

Développement International Desjardins, a subsidiary of Canadian cooperative Desjardins Group, and Agence Française de Développement, the international development department of the French government, recently announced they will co-finance the creation of additional products and services for small and medium-sized enterprises served by members of Faîtière des Unités Coopératives d'Epargne et de Crédit du Togo (FUCEC), a network of 39 financial cooperatives in Togo. The mandate will be carried out over an 18-month period. As of 2012, the members of FUCEC had a combined gross loan portfolio of USD 108 million and served 65,000 borrowers. October 7. 2014

Grameen Crédit Agricole Invests $1.7m in Middle East, Asia

The Grameen Crédit Agricole Microfinance Foundation, a provider of financial services to social businesses, recently informed MicroCapital that - over three years - it will loan approximately USD 740,000 to Faten, a microlender based in the West Bank; the local-currency equivalent of USD 700,000 to Viator, an Azerbaijani microlender; and the euro-equivalent of USD 240,000, which is convertible to equity, to Grameen Danone Foods, which sells food products in Bangladesh that contain nutrients often lacking from the local diet. Grameen Crédit Agricole holds a 9.5-percent stake in Grameen Danone, which has reached 1 million customers in its eight years of operation. Faten has total assets of USD 50 million and a gross loan portfolio of USD 44 million outstanding to 24,000 active borrowers. Viator has 20,000 clients and a gross loan portfolio of USD 22 million. October 7. 2014

Grameen Crédit Agricole Lending $1.5m in Southeast Asia

The Grameen Crédit Agricole Microfinance Foundation, a Luxembourg-based investor in social businesses, is disbursing local-currency loans equivalent to the following amounts: USD 634,000 over three years to Cambodia's Chamroeun Microfinance; USD 463,000 over four years to Indonesian microlender Koperasi Mitra Dhuafa (Komida); and USD 374,000 over three years to Tuba Rai Metin, a nonprofit microbank in Timor-Leste. Chamroeun reports total assets of USD 7.8 million, a gross loan portfolio of USD 6.3 million disbursed to 52,400 borrowers, deposits of USD 866,400 from 76,400 depositors, return on assets (ROA) of -0.13 percent and return on equity (ROE) of -0.63 percent. Komida, which serves only women, has a loan portfolio of USD 10.5 million outstanding to 142,200 borrowers and USD 531,000 collected from 46,000 depositors. Tuba Rai Metin reports total assets of USD 4.7 million, a gross loan portfolio of USD 3.7 million outstanding to 6,200 clients, deposits of USD 1.2 million from 5,500 customers, ROA of -0.47 percent and ROE of -1.7 percent. October 6. 2014

IFC Loans $4m to Advans Côte d'Ivoire for MSMEs

The International Finance Corporation (IFC), a member of the World Bank Group, has announced that it will loan the equivalent of USD 4.3 million to Advans Côte d'Ivoire, a bank founded in 2012 to provide savings and loan services to micro-, small and medium-sized enterprises. The company has 19,000 clients, a gross loan portfolio of USD 12.9 million and voluntary deposits of USD 5.7 million. Advans Côte D'Ivoire is one of eight members of Advans SA, which is managed by Horus Development Finance of France. These members serve 322,000 clients in Asia and Africa, with combined assets of USD 62 million. IFC is a founding investor in Advans Côte d'Ivoire and holds a 13.3-percent equity stake in the company. October 6. 2014

Incofin's Rural Impulse Fund Loans $750k to Sri Lanka's Bimputh

Incofin Investment Management, a Belgian company that manages funds investing in microfinance institutions (MFIs), recently disbursed a loan of USD 750,000 via its Rural Impulse Fund to Bimputh Finance of Sri Lanka. A portion of the proceeds is slated for introducing microhousing and microsavings products. Mumbai-based TSW Capital Services acted as the sole financial advisor to Bimputh on the deal. Bimputh Chairman Daya Gamage said that "Bimputh Finance has come a long way since 2007…providing our clients with facilities at the lowest interest rates possible in order to promote and nurture their enterprises." Bimputh Finance reports total assets equivalent to USD 6.5 million, outstanding loans of USD 5.2 million and customer deposits of USD 3.2 million. October 4. 2014

Absolute's Vision Funds Invest $8.5m in Asia, Ecuador

Absolute Portfolio Management, an arm of Austria-based asset management group C-Quadrat, recently informed MicroCapital that it disbursed credits totaling USD 8.5 million from its funds, the Dual Return Fund-Vision Microfinance and the Dual Return Fund-Vision Microfinance Local Currency, to unspecified microfinance institutions (MFIs) in Azerbaijan, Cambodia, Ecuador and India. Of the total, USD 3.3 million was disbursed to an Indian MFI that has 199 service points offering financial services, financial education, health exams and community-building events. Absolute reports USD 323 million in assets under management. October 3. 2014

India's PNB Housing Borrows $50m from IFC

PNB Housing Finance, a subsidiary of India's government-controlled Punjab National Bank (PNB), recently borrowed USD 50 million from the World Bank Group's International Finance Corporation (IFC). PNB Housing also leveraged the funds to obtain additional loans totaling USD 50 million from other unspecified investors. As part of the relationship, IFC intends to provide unspecified aid to PNB Housing in boosting the use of its loans for energy-efficient housing. PNB Housing plans to allocate 35 percent of the funds for home loans for women, with a further 35 percent allocated to lending in the states of Chhattisgarh, Jharkhand, Madhya Pradesh Odisha, Rajasthan and Uttar Pradesh. As of 2014, PNB Housing reports total assets equivalent to USD 2.0 billion, and PNB reports USD 78 billion as of 2013. October 3. 2014

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Please refer to http://MicroCapital.org for information sources for all briefs. MicroCapital recognizes the individuals at CGAP, the Microfinance Gateway and the Microfinance Information Exchange for their outstanding work disseminating information on microfinance. Thank you!

Symbiotics Issues $18m in Bonds for Asian MFIs
Symbiotics Group, a Swiss for-profit provider of microfinance-related and other investment services, recently issued bonds in the amount of USD 8.75 million for Satin, a microlender in India; USD 6.78 million for Prasac, a provider of financial services to Cambodians with low incomes; and USD 2.75 million for MicroCred China, a unit of France-based MicroCred Group. The bonds issued for Prasac are the first of three tranches, with the other two expected to bring the total of the issuances to USD 13 million by early 2015. Prasac reports total assets of USD 452 million, a gross loan portfolio of USD 379 million disbursed to 200,000 borrowers, USD 124 million held for 300,000 depositors, return on assets of 4.8 percent and return on equity of 39 percent. Satin has 800,000 borrowers with a gross loan portfolio equivalent to USD 17 million. MicroCred China, which also does not accept deposits, has 17 branches in the province of Sichuan serving 14,000 borrowers with a gross loan portfolio of USD 85 million. MicroCred China is a member of France's MicroCred Group, which reports total assets of USD 287 million. October 3. 2014

Argentina's Banco Macro Launching Range of Services for MSEs
Banco Macro, a private bank in Argentina, recently announced that its Fundacion Macro has launched a program called Alumbra to offer loans of USD 250 to USD 6,000 to micro- and small enterprises in Salta, one of Argentina's poorest regions, via the cloud-based microbanking software of Germany's Mambu. Banco Macro President Jorge H Brito said, "We will deliver a complete set of loan and financial products customized to the needs of microenterprise, including mortgage loans and credit cards. Alumbra will also offer non-financial products such as financial education, health education and microinsurance." Banco Macro, which reports total assets of USD 9.8 billion, intends to disburse USD 3.5 million to 6,000 microfinance clients via six specialized branches by 2017. October 2. 2014

AfDB Lending $5m to AB Microfinance Bank Nigeria
AB Microfinance Bank Nigeria, a provider of financial services to micro-, small and medium-sized enterprises (MSMEs), recently acquired access to a five-year line of credit in the amount of USD 5 million from the African Development Bank, a multilateral institution based in Tunisia. AB plans to deploy the funds to 1,500 customers in the trade, commerce and manufacturing sectors, creating 2,500 jobs. AB is a member of Access Microfinance Holding, a network of eight banks that together serve 1 million MSMEs with total assets equivalent to USD 1.4 billion. AB reports serving 30,000 clients and share capital of USD 13 million. October 1. 2014

Risk Management Initiative Promotes Uniform Standards
The Risk Management Initiative in Microfinance (RIM) recently announced the launch of its website, which aims to provide a "hub for the dissemination of risk management standards, information sharing and industry cooperation." The website, http://www.riminitiative.org, also will offer RIM's Risk Management Graduation Model, a diagnostic tool for assessing MFIs' risk management capabilities and facilitating the adoption of "graduation paths" for improvement. RIM was founded in 2013 by eight microfinance investment managers, NGOs and service providers. September 30. 2014

EBRD May Loan $38m to Raiffeisen Leasing Romania for MSMEs
The European Bank for Reconstruction and Development (EBRD), a multilateral institution headquartered in London, is considering disbursing a senior, local-currency loan equivalent to USD 38 million to Raiffeisen Leasing Romania, a subsidiary of Austria's Raiffeisen Zentralbank Österreich (RZB). If approved by EBRD, the loan would be used for financing equipment leasing by micro-, small and medium-sized enterprises and other clients in Romania. RZB reports assets of USD 202 billion. September 30. 2014

Globacom of Nigeria Links 42k Agents with 3 Banks

Globacom, a Nigerian telecommunications company that serves 25 million mobile phone subscribers in four countries in Africa, reportedly has launched Glo Xchange, opening its network of 42,000 agents to the following mobile money operators: FirstMonie, a mobile money initiative backed by First Bank of Nigeria; Ecobank, which has operations in 29 African countries; and Stanbic, a commercial bank that operates in Nigeria and Uganda. Customers of these banks will be able to upload and withdraw cash at the agent locations, which include 400 Conoil fuel retailers, 7,000 pharmacies and 150 "Glo World" and "Glo Zone" shops. The new service includes both e-commerce and cash-to-mobile transactions. September 27. 2014

EIB to Loan $52m to Tunisian-Kuwaiti Bank for MSMEs

The EU's European Investment Bank (EIB) and Banque Tuniso-Koweitienne, a financial institution founded by the governments of Tunisia and Kuwait, reportedly each will commit the equivalent of USD 25.8 million to be on-lent over 10 years to micro-, small and medium-sized enterprises in Tunisia. Microenterprises will benefit from 10 percent of the funds, with unspecified "preferential" interest rates. The Tunis Entrepreneurship Network, an association that supports small businesses in the country, will participate by screening funding candidates and providing "professional assistance" to borrowers. EIB Vice President Philippe de Fontaine Vive reportedly said that end-borrowers will be required to exhibit both "fiscal transparency and compliance with environmental requirements." September 26. 2014

Sodexo, Bluedrop, Global Impact Announce Commitments at CGI

The recent tenth annual meeting of the Clinton Global Initiative (CGI), a program of the US-based nonprofit Clinton Foundation, which was launched by former US President Bill Clinton, hosted a wide range of commitments to address global challenges including the following: (1) USD 1 billion from Sodexo, a French provider of dining and other services to institutions in 80 countries, for its "Small Business, Big Impact" program to incorporate more small and medium-sized enterprises (SMEs) operated by women in developing countries into the firm's supply chain; (2) three years of training by Canada's Bluedrop Learning Network to develop the business skills of 30,000 "vulnerable people" in Jordan; and (3) the raising of USD 1 million by Global Impact, a US-based nonprofit, to build and manage the "Syrian Refugee and Resiliency Fund" to provide Syrian refugees with education, healthcare and economic development support. CGI members have made 3,100 commitments, which reportedly have impacted the lives of 430 million people in 180 countries. More coverage of the CGI annual meetings is available at http://microcapital.org. September 24. 2014

Warid, Alfalah, Monet Launch "Mobile Paisa" in Pakistan

The following firms, each of which is owned by the Abu Dhabi Group of the United Arab Emirates, recently collaborated to launch Mobile Paisa, a mobile money service in Pakistan: Warid Telecom, a provider of mobile phone service in Pakistan, the Republic of the Congo and Uganda; Bank Alfalah, a provider of financial services in Pakistan; and Monet, an electronic payment company in Pakistan. Mobile Paisa allows subscribers to transfer money to and from bank accounts, pay utility bills, maintain mobile wallets and buy mobile airtime. Transactions can be processed by mobile phone or at approximately 2,000 agent locations throughout the country. Service charges apply for money transfers, but there are no fees for making bill payments through retail outlets. September 24. 2014

MFC Launching "Borrow Wisely" Campaign in ECA

The Microfinance Centre, a Poland-based network of 103 microfinance providers in 27 countries, is launching a "Borrow Wisely" campaign during October with the goal of increasing the financial literacy of 80,000 low-income borrowers in nine countries in Europe and Central Asia. The effort will employ posters and brochures as well as a checklist that clients can use to decide whether they should take out a loan. Dzenita Kicic, the operational manager of Serbian lender AgroInvest, stated that "participation in this campaign allows us to avoid the risk that customers will be [over]indebted, and by doing so we will ensure that their and our own investments bring planned outcomes." September 24. 2014

Green for Growth Lends $2m to Microinvest of Moldova for MSEs

The Green for Growth Fund, Southeast Europe, a Germany-based fund that invests in energy efficiency and renewable energy sources, recently disbursed a senior loan equivalent to USD 2.6 million to Microinvest, a microlender that was founded by Soros Foundation-Moldova, an affiliate of the US-based Open Society Foundations. Microinvest is expected to use the funds to on-lend to micro- and small enterprises in Moldova for energy efficiency projects. As of 2012, Microinvest reported total assets of USD 28 million, a gross loan portfolio of USD 18 million and 6,800 active borrowers. September 24. 2014

Alliance for Financial Inclusion to Move to Malaysia

The Alliance for Financial Inclusion (AFI), a network of financial policymakers from developing and emerging economies, announced at its recent annual Global Policy Forum in Port of Spain, Trinidad and Tobago, that it will move its headquarters from Bangkok, Thailand, to Kuala Lumpur, Malaysia, in January 2015 in collaboration with Bank Negara Malaysia, the central bank of the country. AFI also announced that Omidyar Network, a US-based charitable investment firm, has agreed to donate it an unspecified amount of money. AFI's 120 member institutions represent 95 countries. The Omidyar Network reports total assets of USD 413 million. September 24. 2014

IFC Invests $36m in Equity in Brazilian Insurer Austral

The International Finance Corporation (IFC), the private-investment arm of the World Bank Group, recently announced that it has invested the local-currency equivalent of USD 36 million to acquire a minority stake of unspecified size in Brazil's Austral Participações, whose holdings include multiple insurance firms. Hector Gomez Ang, IFC's country manager for Brazil, said that the deal is intended "to improve the country's competitiveness, supporting infrastructure development, sustainable growth of the agribusiness sector, job creation and access to financial services for underserved sectors." September 20. 2014

EBRD Commits $5m to Minsk Transit Bank for Belarusian MSMEs

The European Bank for Reconstruction and Development (EBRD), a UK-based multilateral financial institution, recently agreed to loan the local-currency equivalent of USD 5 million to Minsk Transit Bank, which is backed by the government of Belarus, to increase its lending to micro-, small and medium-sized enterprises. Francis Delaey, EBRD's Head of Office in Belarus, stated that "with this project we are not only providing loans with longer maturities to domestic small businesses but also promoting lending in local currency, which is another important objective for us in Belarus." Minsk Transit Bank reported total assets of USD 212 million, as of 2011, the most recent date from which data are available. September 19. 2014

DWM Sells 55% of Cambodia's TPC to Sri Lanka's LOLC for $19m

Thaneakea Phum (Cambodia) recently informed MicroCapital that US-based Developing World Markets Asset Management (DWM) has sold a 55-percent equity stake in the microlender to LOLC Micro Investments, a subsidiary of Sri-Lanka's Lanka Orix Leasing Company (LOLC). Additionally, the Thaneakea Phum employee association sold a 4.5-percent stake to LOLC Micro, giving it a total share of 60 percent of the firm. DWM retains a 37-percent stake Thaneakea Phum, which reports total assets of USD 110 million, a gross loan portfolio of USD 96 million outstanding to 165,000 active borrowers, return on assets of 6.8 percent and return on equity of 37 percent. September 16. 2014

Safaricom's M-Pesa Cuts Person-to-person Fees in Kenya

Safaricom, a telecommunications provider in Kenya, recently decreased the transaction fees that it charges for "person-to-person" fund transfers via M-Pesa, a mobile money service developed by UK-based Vodafone. Safaricom customers sending funds in amounts equivalent to USD 0.10 to USD 17 will be charged 67 percent less than before. Larger transfers now incur a flat 0.8 percent fee. M-Pesa serves 16 million clients through 79,000 agent outlets in Kenya, 5 million in Tanzania and an unspecified number in Eurasia and elsewhere in Africa. September 16. 2014

Cape Verde Engages ADA in Adjusting Regs to Push Microfinance

The government of Cape Verde, with the support of ADA, a Luxembourg-based NGO founded in 1994 as Appui au Développement Autonome, has established a new regulatory framework intended to support microfinance growth through avenues such as increased foreign investment. The new rules, which will take effect in 2015, define the role of Banco de Cabo Verde, the country's central bank, as supervisor of the sector; allow microfinance institutions (MFIs) to accept savings; and include unspecified transparency measures. September 15. 2014

FirstRand Downscaling into Microfinance in Suburban Mumbai

Under a pilot project named "Easy Banking," FirstRand Limited, a commercial banking group based in South Africa, is providing financial services to owners of shops and other small businesses in areas of suburban Mumbai, such as Bandra and Lokhandwala, in an effort to avoid the greater competition reported in areas with higher population densities. Since June, the program has offered loans and deposits as well as access to point-of-sale terminals and automated teller machines. FirstRand Bank India CEO Rohit Wahi was quoted as saying that, "if [Easy banking] works fine then we can go to 20 areas in one go." FirstRand Bank India reported a loss equivalent to USD 1.3 million for the year ending in March and total assets of USD 22 million as of June. Also as of June, FirstRand Limited reported total assets of USD 86 billion, return on equity of 24 percent and return on assets of 2.1 percent. September 16. 2014

Philippine Metrobank to Boost Microfinance for Overseas Workers

The Metrobank Foundation, an arm of Philippine financial conglomerate Metropolitan Bank and Trust, recently announced that it plans to expand its microfinance program for Filipino citizens working overseas, with particular attention to domestic workers based in Singapore and Hong Kong. The effort is administered by the nonprofit Philippine microbank Alalay sa Kaunlaran Incorporated (ASKI). Metrobank Foundation President Aniceto Sobrepeña said that "we donated PHP 10 million (USD 228,000) as the revolving fund. ASKI lends the money to OFWs [overseas Filipino workers] and their families once their business plans are approved.… Our focus also is for reunification because we do not expect OFWs to stay abroad for long." Metrobank Group reported assets equivalent to USD 22 billion as of 2011, the most recent data available; and the Metrobank Foundation reported consolidated assets of USD 60 million as of 2012. September 12. 2014

Myanmar Investments International Buys into MFI

Myanmar Investments (MI), a subsidiary of MI International of the British Virgin Islands, recently entered into a conditional joint venture agreement with Myanmar Finance (MF) Company to create MF International, which will take on MF Company's portfolio of microenterprise loans. These loans range in size up to USD 500 and generally have terms of about one year. Per national law, they carry interest rates of no more than 30 percent per year. MF Company Founder U Htet Nyi stated that "through the new joint venture, we will be able to offer more loans and quickly add to the estimated 10,000 clients we serve in the Yangon and Bago regions. We plan to widen our product offering, as well as add to the three branches we currently operate…." The joint venture is conditional upon MF International receiving a license for microlending and deposit-taking, after which MI and MF Company would invest total capital of USD 4.8 million over several phases. MI plans eventually to own a 55-percent stake in the new firm, with MF Company holding the remainder. MI International reports consolidated assets of USD 5.3 million. September 11. 2014

Peru's ASBANC, Ericsson to Implement Mobile Money System

The Asociación de Bancos del Perú, an association of 23 financial institutions in the country, has partnered with Ericsson, a Sweden-based telecommunications company with subscribers in 180 countries, in an effort to launch a platform in Peru called Mobile Money during 2015. The role of Ericsson would be to provide systems integration as well as support, training and management services. September 10. 2014

Unitus Raises $7m in Capital for Startups in India

Unitus Seed Fund, a venture capital fund with offices in India and the US, recently secured USD 7 million, bringing its fund size to USD 20 million. By 2016, Unitus plans to invest the new cash in 40 startup companies working to narrow India's income gap. While the amounts invested by each firm are unavailable, the investors include the India-based Deshpande Foundation and the following US-based organizations: the Michael & Susan Dell Foundation, the Lemelson Foundation, the Sorenson Impact Foundation and the Wadhwani Foundation. September 9. 2014

Ugandan Mobile Money Platform Mirrors Savings Group Failsafes

The Ugandan subsidiary of Bharti Airtel, an Indian telecommunications services provider with operations in 150 countries; the US-based Grameen Foundation; and the Ugandan arm of British NGO Plan International have partnered to launch a mobile money platform intended to serve savings groups in Uganda. The service borrows ideas from traditional savings groups, in which one member holds a locked money container while the others hold unique keys, so no one can access the money without the consent of the entire group. To access the mobile money system, one member will be given a mobile-phone SIM card that can be used to request transactions. The rest of the group members must approve each transaction via a personal identification number submitted by short message service (also known as text messaging). The service is funded by the Global Systems for Mobile Association, a London-based association of 1,000 mobile operators and associated companies. September 9. 2014

EUROPEAN
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PLATFORM

NETWORKING WITH THE SOUTH

SPECIAL REPORT I

This sneak preview of European Microfinance Week is sponsored by the European Microfinance Platform (e-MFP), a 130-member network located in Luxembourg.

Regulating via Proportionality in Peru

MicroCapital: Can you tell us a bit about your talk planned for European Microfinance Week on "balancing financial inclusion with market stability"?

Narda Sotomayor: A key element to achieve this balance is the principle of proportionality, under which regulations vary based on the risks associated with the product or service in question. For instance, for microloans for businesses with overall debt below PEN 20,000 (USD 7,000), the required documentation is minimal, and loan provision requirements are based only on the number of days any loans are overdue. The lender has the freedom to establish prices to cover its costs, such that institutional sustainability is guaranteed.

It was determined that anti-money-laundering rules were making it too costly to open deposit accounts for the poor, mainly because of the heavy burden of "know-your-customer" documentation. Thus Peru introduced a tiered system, based on the risk levels of products and customers. The three regimens are reinforced, normal and simplified. Within the simplified regimen, the "basic deposit account" allows a balance of PEN 2,000 (700 USD) and PEN 4,000 (1,400 USD) in accumulated deposits and withdrawals. The only document required for opening a basic account is the National Identification Card, and it can be done through a bank's agent.

MC: What are your thoughts on financial education?

NS: Peru began a financial education program back in 2007, at first in urban areas. The approach is to train teachers in state high schools to transmit the information to their students. Teachers are provided with a wide range of advice, videos, comics and other audiovisual tools. This is done in partnership with the Ministry of Education, which incorporated financial literacy into the National Curriculum of Schools in 2009. In addition, we have prepared education materials and performed training workshops oriented to groups such as youth, women working in community kitchens, microentrepreneurs and retirees.

MC: How does this relate to consumer protection?

NS: A key element of consumer protection is disclosure of information, aimed at protecting people before, during and after contracting. The transparency regulations contain detailed information that needs to be disclosed to consumers by all financial institutions, including the costs of their products and services - not only nominal interest rates, but also other fees and charges. This allows consumers to compare offers from different providers. Also, we have coordinated with financial institutions to design contract templates to prevent unfair contracts. Contracts have to be written in plain Spanish and observe a minimum font size. In addition, any changes in the contract have to be communicated to the customer with 30 days' notice, allowing him or her the opportunity to cancel.

MC: Several traditional banks in Peru have downscaled into microfinance.

NS: Yes, for many years, several traditional banks have been attempting to downscale into microfinance, attracted by the very high returns observed in specialized microfinance institutions. They used different approaches, and it did not go well for some of them, basically because of lack of knowledge of the technologies needed to serve low-income households and microentrepreneurs. However, since microfinance was just a small part of their operations, those institutions did not suffer greatly. Most recently, the approach that is working for banks is to purchase specialized institutions, maintaining their independence of operations.

MC: Please tell us about your country's recent push to promote mobile money.

NS: Peruvian regulators identified payments services as the most basic financial service, one that should be available for all segments of the population. Often, deposit accounts have been used for transactional and payment purposes; however, access to these accounts is very limited. In contrast, there is a high penetration of mobile phones nationwide; there are as many mobiles as Peruvians. This fact was identified as an opportunity to use electronic devices to deliver financial services at a low cost and more conveniently, especially for the unserved and underserved population.

This is why Peru issued an electronic money law in 2012, restricting the issuance of e-money to supervised institutions and defining e-money as monetary value stored on an electronic device, distinct from deposits. The law allowed a diversity of e-money issuers into the market - not only the existent intermediaries, but also specialized operators acting under a new category of licensure. In this way, low-cost and simple financial products such as prepaid cards and electronic wallets have been encouraged. The regulatory framework supporting the law, similar to that for basic deposit accounts, defines e-money accounts so that the simplified know-your-customer regimen can be applied. An important motivation of this effort is that we believe that e-money schemes have the potential to bring financial services to people leaving in remote rural areas, which are the most difficult segments of the population to reach.

Narda Sotomayor leads the Department of Microfinance Analysis at Peru's Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones.

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NETWORKING WITH THE SOUTH

SPECIAL REPORT II

This sneak preview of European Microfinance Week is sponsored by the European Microfinance Platform (e-MFP), a 130-member network located in Luxembourg.

European Microfinance Week

MicroCapital: Please describe one of the key issues to be covered this year at European Microfinance Week.

Christoph Pausch: The question of over-indebtedness is still the major risk for the sector, as identified in the most recent *Banana Skins* survey. We had a very successful plenary last year exploring the issue from a research perspective. This year, we're taking a very different approach by bringing CEOs of leading microfinance institutions (MFIs) from three countries - Bangladesh, Morocco, and Mexico - to discuss how they've been dealing with the issue. Each of these countries has had a different experience, with Bangladesh having successfully averted a potential crisis by slowing market growth (as described in an excellent paper by Stuart Rutherford and Greg Chen). Morocco was one of the original "microfinance crisis" countries during 2008 and 2009, and the MFIs there have had an interesting experience in resolving the problems from that period. Finally, Mexico is a major market with serious concerns regarding over-indebtedness, and MFIs there are working to avert a potential crisis.

MC: What topics do you find are most in demand by participants?

Anne Contreras: This year with the focus on the prestigious Fifth European Microfinance Award on Microfinance and Environment, there are many sessions dedicated to this area. Also, 2014 is the UN's International Year of Family Farming, which is reflected in our programme with a specific focus on agricultural finance. There is also demand for sessions for microfinance investors, for whom we are offering topics such as managing social responsibility during equity sales.

MC: Is there a speaker about whom you are particularly excited?

CP: The panel on microfinance in conflict zones is new to us. We're excited not only to welcome MFIs that are working in some of the most difficult environments, such as Syria and Afghanistan, but also Major David Beskow of the US Army, who will share how the military has been using microgrants to strengthen links with local communities and improve the lives of the most needy during some of today's most difficult conflicts.

MC: What else is new this year for e-MFP?

AC: I would like to highlight our developing partnership with the Microfinance CEO Working Group, which represents the leading microfinance networks: Accion, FINCA International, Freedom from Hunger, Grameen Foundation, Opportunity International, Pro Mujer, VisionFund International and Women's World Banking. Since most of these organizations are based in the US, we think it's a great opportunity to increase collaboration among e-MFP's European members and our colleagues across the Atlantic. During our Action Group day, we're hosting a working session co-organized by the Microfinance CEO Working Group and the Financial Inclusion Equity Council. It will explore the future of some of the core data infrastructure in the microfinance sector, including the MIX Market, Microfinance Transparency and other initiatives that are of critical importance not only to e-MFP members, but also to countless microfinance practitioners.

Anne Contreras, who works in investment management law at Luxembourg-based law firm Arendt & Medernach, serves as the Chair of the Board of Directors of e-MFP. Christoph Pausch is the Executive Secretary of e-MFP.

FIELD NOTES

Mobile Money and Convenience: A Theory of Relativity

Last month, I was excited to make my first trip to Kenya. Entrepreneurial, innovative and unburdened by the regulatory constraints of some of its counterparts in regions such as Latin America, Kenya has become a financial inclusion Petri dish. In particular, the incredible popularity and ubiquity of mobile money in Kenya has stimulated enthusiasm for its replication worldwide, sparking action even among some of the more lugubrious banking sectors in Latin America.

I will try not to repeat the information that most readers already know about Kenya. One excellent blog piece for some background is: "10 Things You Thought You Knew about M-Pesa" by Claire Alexandre, a senior program officer with the Financial Services for the Poor initiative of the US-based Bill and Melinda Gates Foundation. Instead, I will share something that surprised me, in hopes that it may surprise others. It is about convenience.

The benefit to clients of forgoing the personal interaction of "high-touch" financial transactions (be they deposits, withdrawals, utility payments, loan payments, etc.) for a "low-touch" mobile solution should be lower costs and greater convenience. Mobile payments generally are not free for customers in Kenya, so the big selling point should be convenience. Indeed, I interviewed a woman who explained that M-Pesa's mobile platform is just that; but I was surprised to find that her definition of convenience was quite different from mine. In the US, I can typically deposit a few checks, view my account balance and pay bills in minutes online without leaving my desk. Meanwhile, the woman I interviewed in Nairobi explained how she made a mobile payment for her health insurance premium: She first walked to an automated teller machine to withdraw money from her current account. Then she walked with cash in hand to an M-Pesa outlet, where she deposited the money into her mobile wallet. After she left the outlet, she opened an application on her mobile phone to make the payment. How can this three-step process, which takes place in three different locations, be convenient?

Of course, the answer is that convenience is relative, and solutions that may be convenient in one country may seem burdensome in another. Kenya was reclassified as a lower middle-income country this month (by virtue of its per-capita gross domestic product rising above the World Bank's benchmark of USD 1,036), but it is still challenged with inefficiencies and inconveniences, particularly relative to some of the more mature middle-income economies. In Kenya, only 19 percent of the population has access to piped water, compared with 74 percent in Peru, for example. Kenya's banks have innovated little to serve low- and middle-income customers, while Peru's formal financial sector covers a growing range of its population. As part of this trend, Peru's banks are now seeking to develop a mobile strategy to reduce the cost of serving low-income clients. Many poor Peruvians already have access to transactional convenience that Kenyans had not seen before the dawn of M-Pesa. Many are banked and make wire transfers and bill payments directly through their accounts. The success of mobile money in Peru likely will depend on whether it can innovate to offer even greater value and convenience than the highly touted M-Pesa.

About the Author: Ms Barbara Magnoni is President of EA Consultants, a development-consulting firm based in New York. She has over 20 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, or you may follow her on Twitter at BarbaraatEA.

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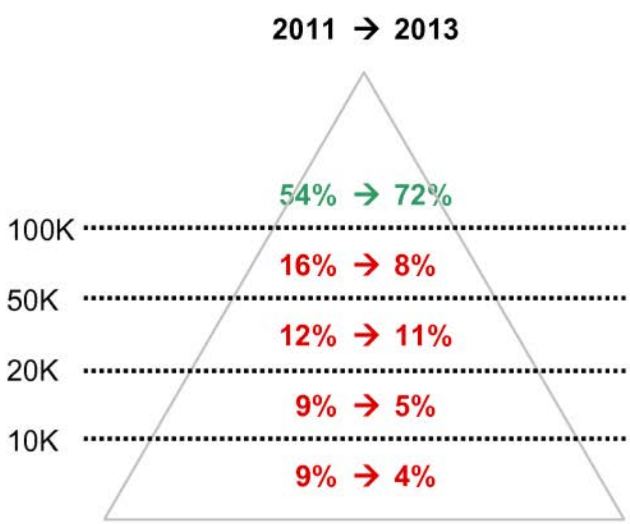
SUB-SAHARAN AFRICA

55 MICROFINANCE INSTITUTIONS (MFIs) REPORTING[1]

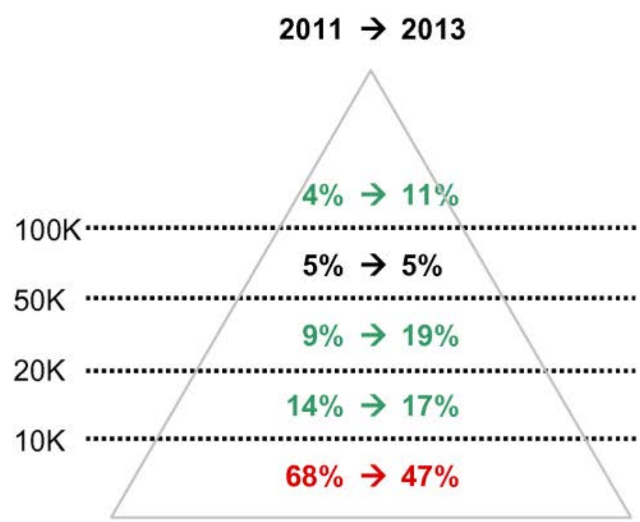
TOP 10 MFIs BY GROWTH IN GROSS LOAN PORTFOLIO: CHANGE IN USD

MFI NAME	COUNTRY	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2011	2013
Equity Bank	Kenya	269,728,021	19%	1,280,438,105	1,819,894,147
Lift Above Poverty Organization	Nigeria	38,133,763	44%	70,247,885	146,515,411
Equity Bank Rwanda	Rwanda	21,432,903	820%	512,991	43,378,798
Kenya Women Microfinance Bank	Kenya	18,930,768	13%	134,863,131	172,724,668
AccessBank Tanzania	Tanzania	18,190,363	71%	18,991,772	55,372,497
Grooming Center	Nigeria	16,134,583	53%	23,983,748	56,252,913
Fortis Microfinance Bank	Nigeria	11,170,908	32%	29,905,002	52,246,818
Faitiere des Unites Cooperatives d'Epargne et de Credit du Togo	Togo	10,698,731	10%	97,833,277	119,230,738
AB Microfinance Bank	Nigeria	9,532,965	38%	21,098,514	40,164,445
Advans Cameroun	Cameroon	9,322,194	39%	19,717,099	38,361,486

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 reported data for 2011 and 2013 to the Microfinance Information Exchange (MIX) Market

Source: MIX, October 2014

UPCOMING EVENTS

Opportunity Collaboration
October 12 - October 17, 2014; Ixtapa, Mexico
This networking and problem-solving event seeks to engage social entrepreneurs and funders to explore methods of collaboration, identify opportunities for leveraging resources across organizations and generate mechanisms for reducing poverty. The fee of USD 4,950 includes registration, lodging and meals. For additional information, you may email Tracie Hudgins at thudgins[at]opportunitycollaboration.net or visit http://www.opportunitycollaboration.net/. No telephone number is offered.

2014 Mifos Summit
October 14 - October 17, 2014; Kampala, Uganda
This event on the open source Mifos X technology platform for microbanks may be accessed for a fee of USD 200 or for the first day only for USD 75. Packages that include accommodations are also available. For additional information, you may contact Ed Cable via the form at http://summit.mifos.org, or you may email info[at]mifos.org.

ADA 20th Anniversary Academic Symposium and Exhibition
October 15 - October 16, 2014; Luxembourg
The theme of this event is "autonomy," as the sponsor's mission is to promote institutional autonomy for its partner organizations as they work to expand financial inclusion. There is no fee to attend, but registration is required. Details may be sought via +352 45 68 68 1, http://www.ada-microfinance.org/en/20years/editorial-en or info[at]ada-microfinance.lu.

Columbia Business School Social Enterprise Conference
October 31, 2014; New York, USA
Themed "Millennials Rising: What's next for sustainability?" this conference is intended to "harness the talents" of young people who are interested in solving social and environmental issues. The fee to attend the conference is USD 250 per person, and discounts are available for students and Columbia Business School alumni. For additional information, you may contact the organizers at +1 212 854 2176 or socialenterprise[at]gsb.columbia.edu.

Third International Workshop on Inclusive Finance
October 31 - November 2, 2014; Jamshedpur, India
The theme of this workshop is product innovation, and an "innovations for impact" competition will be held. The cost to attend is INR 7,500, which includes meals and accommodation for three nights. For additional information, you may contact Dr H K Pradhan at +91 657 3983333, +91 943 076663 or pradhan[at]xlri.ac.in. The event website address is http://inclusivefinance.in/events.html.

Global Islamic Microfinance Forum
November 1 - November 2, 2014; Dubai, United Arab Emirates
The purpose of this event is to explore the potential for the expansion of Islamic microfinance, which includes a prohibition on charging interest in favor of concepts like sharing profit and loss. The cost to attend all of the proceedings is PKR 95,000 for Pakistani participants and USD 2,490 for international participants. Lower prices are available for partial participation. For more information, you may reach the AlHuda Center of Islamic Banking and Economics at info[at]alhudacibe.com or +92 42 35913096 8.

XVII Foro Interamericano de la Microempresa
November 4 - November 6, 2014; Guayaquil, Ecuador
This event covers microenterprise, specifically with regard to microfinance, in Latin America. The cost to attend is USD 550. For more details, you may contact foromic[at]iadb.org or +593 2 299 6900.

Sustainable, Responsible, Impact Investing
November 9 - November 11, 2014; Colorado Springs, USA
This conference targets investment professionals seeking to "direct the flow of investment capital toward a truly sustainable future" and will include content on the impact of government efforts to reduce poverty. The cost to attend the event is USD 1,185, with a rate of USD 1,085 available until October 13. Single-day passes are available at a cost of USD 450. For additional information, you may contact Krystala Kalil at krystala[at]SRIConference.com or +1 719 636 1045, or you may visit http://www.sriconference.com/.

10th International Microinsurance Conference
November 11 - November 13, 2014; Mexico City, Mexico
This conference will address market trends in the microinsurance sector with regard to health, life and agricultural microinsurance as well as bundled microinsurance products. The cost to attend is EUR 1,290, with discounts available for nonprofits and for all who register by October 15, 2014. For additional information, you may contact the Munich Re Foundation at info[at]munichre-foundation.org or +49 89 3891 8888. The event website address is http://www.munichre-foundation.org/home/Microinsurance/2014IMC.html.

European Microfinance Week
November 12 - November 14, 2014; Luxembourg
This conference will include a range of sessions on over-indebtedness, financial inclusion, market stability and other topics. The first day of the proceedings will include meetings of e-MFP's action groups. The second day will include the presentation of the Fifth European Microfinance Award, which includes a prize of EUR 100,000 for excellence in "Microfinance and the Environment." MicroCapital will provide sponsored, onsite coverage of the proceedings as it did in 2012 and 2013. More information may be found on pages 7 and 8 of this newspaper or at http://www.e-mfp.eu/european-microfinance-week-2014/information. The fee to attend is EUR 575, with a rate of EUR 80 offered to students. To contact the organizers, call +352 26 27 13 82 or email contact[at]e-mfp.eu.

Mobile Money & Digital Payments Global
November 18 - November 20, 2014; Istanbul, Turkey
The goal of this conference is to debate issues such as the changing landscape of payments; "partnerships, interoperability and competition;" adopting and retaining customers; creating a future without cash; and regulatory issues. The cost to attend the event is GBP 1,499, with various discounts available including a **reduction of 20 percent for readers of MicroCapital using the code "MCAP20."** For additional information, you may contact Michael Seaman at +44 (0) 20 7384 7986 or michael.seaman[at]clarionevents.com, or you may visit http://www.mobile-money-global.com/

MORE DETAILS COMING SOON ON…

African Microfinance Week - POSTPONED
~~December 1 - December 5, 2014~~; Ouagadougou, Burkina Faso

Inclusive Finance India & Livelihoods Asia Summits,
December 8 - December 11, 2014; New Delhi, India

Mobile Money and Digital Payments Asia
January 21 - January 23, 2015; Jakarta, Indonesia

Cracking the Nut 2015: Expanding Rural and Agricultural Markets Amid Climate Change
March 2 - March 3, 2015; Lusaka, Zambia

PAPER WRAP-UPS

The Road to Inclusion: A Look at the Financially Excluded and Underserved

Published by MasterCard, May 2014, 18 pages, available at http://newsroom.mastercard.com/asia-pacific/documents/the-road-to-inclusion-a-look-at-the-financially-excluded-and-underserved

This report seeks to shed light on how people manage with limited financial services in Egypt, India, Indonesia, Nigeria, the Philippines and Vietnam. The study surveyed 604 people across the six markets to gain insight into the financially excluded - those without any access to formal banking services - and the financially underserved - those who may have a bank account, but lack access to electronic transactions or debit cards.

The average age of respondents in each country ranged from 28 years (Nigeria) to 41 years (Philippines). A minimum of two-thirds of each group has received a secondary education. The groups reported employment rates above 50 percent, excluding India and the Philippines. With average monthly incomes ranging from USD 200 (in India, Indonesia and Nigeria) to USD 500 (in Vietnam), those surveyed cited a lack of money as one of the most significant reasons for not having a bank account. However, the authors cite Vietnam as having the greatest market potential due to its relatively high income.

The authors also seek to understand the attitudes of the financially underserved/excluded toward banking, credit cards and financial transactions. Trust levels in local banks were relatively high - ranging from above 80 percent in Egypt and Nigeria to above 60 percent in India and Vietnam. Trust levels in multinational financial vendors, however, were mixed.

While large majorities of those surveyed were aware of and understood the function of prepaid credit cards, there was widespread concern of the possibility of losing one's card, lack of transparency and high fees. Nonetheless, a majority of consumers in Egypt, India and Nigeria expressed receptiveness to prepaid cards.

The standard mobile phone is still the dominant method used by respondents to access technology, and the authors deem usage of mobile banking across the six markets "low."

The report also includes a special segment on women, whose primary barrier to financial inclusion is identified as a low rate of regular income flow relative to men.

Microinsurance Distribution Channels: Insights for Insurers

By Alice Merry, Pranav Prashad and Tobias Hoffarth; published by the Microinsurance Innovation Facility; June 2014; 25 pages; available at http://www.microinsurancefacility.org/sites/default/files/MP33.pdf

Based on the experiences of 60 institutions, this analysis of distribution channels is intended to assist insurance providers in finding "low-cost channels that can reach clients in large numbers." The channels reviewed include financial institutions, community-based organizations, retailers, mobile network operators, employers and direct sales.

The authors recommend insurers distribute their products using incentives for individual sales agents based on criteria such as the number policy renewals and/or amount of revenue generated. In addition, the authors recommend that insurers seek other incentives for their distribution partners to build "long-term partnerships" with distributors and clients. Finally, insurers are encouraged to deploy distribution channels that are suitable to the "maturity of their target market," by sequencing "mandatory, group and individual products" and offering free products in certain cases.

Digital Financial Services Risk Assessment For Microfinance Institutions – A Pocket Guide

By Tom Shaw, Marcella Willis, Daryl Skoog, Sonia Arenaza, Sudha Garg, Susan Salerno, Eve Hamilton and Shailee Adnolfi; published by The Digital Financial Services Working Group; September 2014; 15 pages; available at https://lextonblog.files.wordpress.com/2014/09/dfs_risk_guide_sept_2014_final.pdf

The authors of this guide argue for the importance of Digital Financial Services (DFS) to reach low-income individuals who do not have access to traditional banking solutions. The authors base their findings partly on the statistic that 1.9 billion of 2.5 billion unbanked individuals worldwide own a mobile phone. The authors encourage more microfinance institutions (MFIs) to adopt "mobile platforms and channels" to reach this group. They also argue that MFIs interested in adopting DFS consider the following types of risks before acting: strategic, operational, liquidity, legal and regulatory, country, reputation, credit and market. The guide includes examples of each of the risks as well as tools that can be used to assess the them.

G2P for Financial Inclusion: A Job Half Done

By Lokesh Kumar Singh, published by MicroSave, June 2014, 3:19 runtime, available at http://www.microsave.net/resource/g2p_for_financial_inclusion_job_half_done#.VB5sxC6Sy4v

In this video, Mr Singh states that India's welfare system used to be based on "in-kind subsidies" and was burdened with high costs of delivery and "leakages." In response, the government is delivering direct government-to-person (G2P) payments through a conditional cash transfer program. Mr Singh argues that although the beneficiaries opened bank accounts to receive their benefits, the program did not achieve its full potential due to lack of education and a limited business correspondent (agent) network.

Does Good Client Protection Impact Financial Performance?

By B. Perez-Rocha, A.G.F. Hoepner, L. Spaggiari, C. Lapenu and B. Brusky in collaboration with the European Microfinance Platform (e-MFP) Making Microfinance Responsible Action Group; May 2014; 28 pages; available at http://www.e-mfp.eu/sites/default/files/resources/2014/05/Brief_No_4_2014_web.pdf

This paper explores the relationship between the financial performance of microfinance institutions (MFIs) and the Client Protection Principles (CPP) that are promoted by the Smart Campaign, a US-based consumer protection initiative targeting microfinance clients worldwide. To evaluate the financial performance of the MFIs, the authors considered: return on equity (ROE), return on assets (ROA), operating expense ratio (OER) and portfolio at risk after 30 days (PAR 30). The six CPPs used in the study were: prevention of over-indebtedness, transparency, debt collection, ethics, privacy and complaints resolution.

The authors' statistical analysis of the two sets of variables – the CPPs and the financial indicators – indicates an overall positive relationship between client protection and financial returns. In particular, transparency, appropriate collection practices and privacy of client data were correlated with higher ROA. Ethical staff behavior and good complaint resolution procedures were correlated with higher ROE.

The analysis of CPPs against OER, an indicator of operational costs and efficiency, and PAR 30, which indicates portfolio quality, yielded both synergies as well as "trade-offs." Good complaint resolution mechanisms were associated with lower OER that, the authors surmise, could be the result of higher client retention due to high client satisfaction. Preventing over-indebtedness was correlated with higher OER, which could be due to cost of conducting sound analyses of lending decisions. Transparency was correlated with lower portfolio quality, which could be due to the MFIs not being able to "mask" poor portfolio quality with write-offs. Good collection practices and PAR 30 were negatively related, indicating best practices in collections are associated with improved portfolio quality. The authors state that this result could indicate that clients are more diligent in repayment if they feel they can have a quality, long-term relationship with the MFI based on "structured recovery policies and trainings."

The authors note that while the analysis can establish correlations, it cannot establish causality. The study does not determine whether strong CPPs lead to good financial performance. However, the authors propose that "early investment in some client protection aspects might not immediately pay off, but organizations with the best practices in client protection may ultimately achieve better financial outcomes, thanks to the benefits of a good reputation."