

## MICROCAPITAL BRIEFS | TOP STORIES

### Sumitomo Mitsui Buys 12% of Cambodia's Acleda from IFC for \$110m

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

### Lok, Dell, Bellwether Exit Janalakshmi of India

Founding investors Lok Capital, a Mauritius-based venture capital fund; the Michael and Susan Dell Foundation, a US-based organization that seeks to improve the lives of poor urban residents in India, South Africa and the US; and the Bellwether Microfinance Fund of India, reportedly have exited their holdings in Janalakshmi Financial Services, a Bangalore-based microfinance institution. The buying and selling prices of the stakes have not been released. During August, the microlender raised the equivalent of USD 57 million from organizations including the Asian private-equity arm of US-based Morgan Stanley, Tata Capital Growth Fund of India's Tata Capital, and Indian holding company QRG Enterprises. Janalakshmi reports total assets of USD 420 million, a gross loan portfolio of USD 342 million and 1.4 million active borrowers as of 2014. As of 2013, it reported return on assets of 2.0 percent and return on equity of 8.6 percent. August 13 and August 26. 2014

### Philippines' PLDT Buys Stake in Germany's Rocket with Eye on Mobile Money

The Philippine Long Distance Telephone Company (PLDT) reportedly has purchased a 10-percent stake in Germany's Rocket Internet for the equivalent of USD 445 million. Rocket will issue the stake in new shares, and a PLDT executive will join Rocket's supervisory board. According to a statement attributed to PLDT CEO Napoleon Nazareno, "The partnership will allow [the companies] to leverage our combined strengths in developing online and mobile payment solutions in emerging markets." As of 2013, companies in Rocket's portfolio reported revenue of USD 934 million. In the same year, Rocket raised USD 500 million to invest in startups in Africa, Latin America and Russia. August 18. 2014

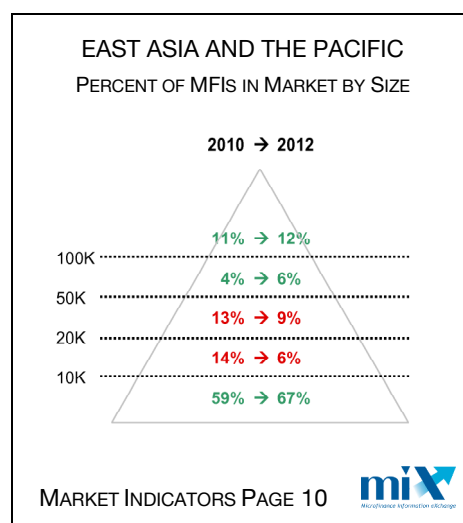
### IDB to Loan \$100m to El Salvador for On-lending to MSMEs

The Inter-American Development Bank (IDB), a US-based multilateral finance institution, reportedly has approved a loan of USD 100 million to promote lending to micro-, small and medium-sized enterprises (MSMEs) in El Salvador. Banco de Desarrollo de el Salvador, the national development finance institution, will on-lend the funds to financial institutions to be made available primarily to MSMEs that operate production-oriented ventures. It is expected that 1,500 MSMEs, at least one third of which are led by women, will benefit from the funding. The parent loan will be carry a term of 25 years with a grace period of 5.5 years and an interest rate based on the London Interbank Offered Rate. In describing the goal of the loan, IDB Project Team Leader Maria Netto said that "the new, more service-based economy needs stronger and more productive smaller firms that can promote the development of the country's exports and create more jobs." August 17. 2014

### Bank of Ghana Demands Photos of MFI Owners to Thwart Theft

The Bank of Ghana, the central bank of the country, reportedly has tightened regulations for microfinance institutions (MFIs) in an effort to address an increase in failed microbanks and stolen customer deposits, which have been attributed to "bad management practices, increasing non-performing loans, fraudulent activities and expansion without a commensurate increase in capacity." Raymond Amanfu, the head of the bank's Other Financial Institutions Supervision Department, reportedly stated that the new regulatory measures include requiring MFIs to provide photographs of "key management staff" upon license renewal and that security agencies have been enlisted for "handling cases of the institutions which have already made away with deposits funds." August 13. 2014

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## MICROCAPITAL BRIEFS

### Nigeria's MSME Fund Begins Disbursements After 2-year Delay

President Goodwill Jonathan of Nigeria recently announced the first disbursements from the Micro, Small and Medium Enterprises (MSME) Development Fund, which was originally planned for launch in 2012 and is expected to channel USD 1.36 billion to 2 million MSMEs. Delta State received USD 3 million; Akwa-Ibom State received USD 1.6 million; and Grassroots Microfinance Kano, a microlender with USD 791,000 in assets, received USD 61,000. As previously reported by MicroCapital, 60 percent of the fund is allocated to women-owned enterprises, and physically impaired individuals will have access to 2 percent or more of the funds. End-borrowers will pay 9 percent annual interest. September 8, 2014

### Bangladesh Threatens to Punish Noncompliant MFIs

The Microcredit Regulatory Authority, which oversees nonprofit microfinance institutions in Bangladesh, reportedly has threatened unspecified sanctions against MFIs that do not comply with the authority's directives. There have been reports of violations of regulations such as the requirement of a 15-day grace period on new loans before the first loan repayments are due as well as the use of a declining-balance method of calculating interest. These methods entail the borrower paying periodic interest on the unpaid portion of the loan as opposed to the original amount borrowed. September 7, 2014

### India Seeks Bank Account, Pension, Insurance in Every Home

Prime Minister Narendra Modi of India recently announced the launch of Pradhan Mantri Jan Dhan Yojana, which can be translated as "Prime Minister's People's Wealth Mission" and is intended to extend "banking, credit, insurance and pension services" to every household in India. The first phase of the plan includes achieving "universal banking" by August 2015, and the second phase involves providing all households with insurance and pension services during the following three years. Each new account holder will receive a passbook and a RuPay payment card issued under the state-owned National Payments Corporation. The account will include an overdraft facility equivalent to USD 83, accident cover of USD 1,650 and life cover of USD 495. September 5, 2014

### Nigeria, MasterCard Launch eID Cards with E-payment Feature

Nigeria's National Identity Management Commission has announced the pilot of its National eID Card program in partnership with MasterCard, a US-based payment solutions company. Under the program, 13 million Nigerians will receive MasterCard-branded cards that can be used for biometric identity verification as well as electronic payments. Other project partners include: Access Bank, a Nigerian institution that is one of the card issuers; Cryptovision, a German provider of biometric technology; and Unified Payment Services, a payment processor owned by Nigerian banks. September 4, 2014

### \$7k Missing After Ugandan Police Shutter Sham Microbank Vision

Vision Finance Fund, an illegitimate microfinance bank in Uganda's Central Region, recently was shut down for accepting money from its depositors under false pretenses. After receiving complaints questioning the legitimacy of the bank, police stormed the premises and found that the owner, Brian Mwebaze, was putting the money into a personal mobile money account. Mr Mwebaze reportedly promised that people who put money in savings accounts would be able to take out interest-free loans that were double the deposited amount during the following month. Since the bank opened on August 1, it had attracted the equivalent of USD 7,600 from 94 customers. Police are now searching for Mr Mwebaze, who remains at large. September 3, 2014

### Incofin, Triodos Invest in Arvand of Tajikistan

Incofin Investment Management, a Belgian investor in microfinance, and Triodos Investment Management, a subsidiary of Triodos Bank of the Netherlands, have acquired equity stakes totaling 36 percent of Microcredit Deposit-Taking Organization Arvand of Tajikistan. Incofin executed its investment via its Rural Impulse Fund II, and Triodos invested through the Triodos Microfinance and Fair Share Funds. Neither the portion of the shares taken by each entity nor the price it paid has been disclosed. The investors will provide technical assistance to Arvand and take seats on its Board of Directors. Caspar Sprokel of Triodos said, "We are very much looking forward to be part of Arvand's continuing journey to expand its outreach, especially in the rural areas...." Arvand reports assets of USD 25 million, a gross loan portfolio of USD 21 million, deposits of USD 2.9 million, return on assets of 4.5 percent and return on equity of 30 percent. September 5, 2014

### Franklin Templeton Launches Financial Inclusion Drive in India

The Indian affiliate of US-based investment company Franklin Templeton Investments has partnered with the Security Exchange Board of India to launch a campaign aimed at educating people in the Rangareddy district regarding mutual funds. The drive was launched after research by the Association of Mutual Funds of India found "high bank penetration and little awareness of mutual funds" among the general public. Established in 1996, Franklin Templeton India has a total portfolio equivalent to USD 8 billion. September 1, 2014

### World Bank Group Commits \$24m for SMEs in Laos

The International Development Association, a member of the World Bank Group, recently agreed to disburse a donation of USD 10 million and a loan of the same amount to the government of Laos to support its Small and Medium Enterprise (SME) Access to Finance Project, which is intended to provide "long-term" credit to SMEs to foster job creation. The World Bank Group's International Finance Corporation will support the project with an investment of USD 4 million in "risk sharing funds," and the Australian Department of Foreign Affairs and Trade has also committed an unspecified portion of a grant of USD 2.5 million that is being deployed in the country. August 28, 2014

### IFC Offers Financial Inclusion Advice to Airtel Zambia

The International Finance Corporation (IFC), the private-investment arm of the World Bank Group, has announced that it will enter into an advisory services agreement with Airtel Zambia, a subsidiary of Indian telecommunications company Bharti Airtel. Under the agreement, IFC will provide Airtel Zambia with three years of advisory services valued at a total of USD 1 million with the aim of increasing access to mobile financial services. The effort is part of the Partnership for Financial Inclusion, an initiative of IFC and Canada's MasterCard Foundation that has a five-year budget of USD 37 million. Airtel has 287 million customers in 20 countries in Africa and Asia. August 27, 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!*

**Absolute Vision Funds Loan \$5m in Bolivia, Georgia, Tajikistan**

Absolute Portfolio Management, an arm of Austrian asset management group C-Quadrat, recently informed MicroCapital that it loaned a total of USD 5 million from its two Vision Microfinance funds, the Dual Return Fund-Vision Microfinance and the Dual Return Fund-Vision Microfinance Local Currency, to unspecified microfinance institutions (MFIs) in Bolivia, Georgia and Tajikistan. Of the total, USD 1 million was invested in a Georgian institution that was founded in 1997 and provides financial services to poor individuals as well as micro- and small businesses. In addition to traditional branches, the MFI operates through 2,600 “village councilors” in rural areas. Absolute reports total assets of USD 323 million under management. August 25, 2014

**ILO, World Bank to Partner on Index Insurance in Africa, Asia**

The UN’s International Labour Office (ILO) and the World Bank Group reportedly have inked a three-year agreement to partner on the provision of index microinsurance products in Africa and Asia through ILO’s Microinsurance Innovation Facility and the World Bank Group’s Global Index Insurance Facility (GIIF). Gilles Galludec of GIIF reportedly explained that the tie-up “will enable GIIF’s grantees and partners from the private sector to share their knowledge and develop best practices within index insurance.” Index insurance pays policyholders if a weather event exceeds a certain threshold rather than based on actual losses. August 25, 2014

**EBRD Lends \$5m to DemirBank of Azerbaijan for Energy Savings**

The European Bank for Reconstruction and Development (EBRD), a UK-based development bank that operates in Eastern Europe, Central Asia and North Africa, has loaned USD 5 million to DemirBank, a commercial bank in Azerbaijan that focuses on lending to small and medium-sized enterprises, with the intention of financing improved production facilities, windows, insulation, solar water heaters and solar electric panels for households and businesses. The EU and the government of Austria supported the loan with an unspecified level of grant funding. DemirBank reports total assets of USD 524 million and a gross loan portfolio of USD 417 million outstanding to 107,000 borrowers as of 2014. As of 2012, DemirBank reported deposits of USD 224 million in 38,000 accounts, return on assets of 0.74 percent and return on equity of 5.7 percent. August 24, 2014

**Canada, IFC Support Agricultural SMEs in Ukraine**

The Department of Foreign Affairs, Trade and Development Canada and the International Finance Corporation, the private-investment arm of the World Bank Group, plan to partner to provide an unspecified level of financial support and technical advice to small and medium-sized agricultural enterprises in Ukraine in an effort to contribute to “sustainable” economic growth and job creation to help the Ukrainian government increase its tax revenue. Additional goals of the Canadian government are to improve the “business-enabling environment,” restore confidence in financial institutions, and support democracy and the rule of law in Ukraine. August 23, 2014

**Green for Growth Lends \$20m to Yapi Kredi Leasing of Turkey**

The Green for Growth Fund, Southeast Europe, a German fund that invests in energy efficiency and renewable energy sources, has loaned the equivalent of USD 20 million to Yapi Kredi Leasing, a subsidiary of Turkey’s Yapi Kredi Bank, with the aim of supporting “sustainable long-term energy efficient equipment financing.” Yapi Kredi Leasing serves corporate clients as well as micro-, small and medium-sized enterprises (MSMEs) in Turkey. The loan is expected to lead to a reduction in energy use of 8,250 megawatt-hours and 1,800 tons in carbon dioxide emissions. In support of the effort, Yapi Kredi Leasing General Manager Özgür Maras called MSMEs “the backbone of the Turkish economy.” Yapi Kredi Leasing reports total assets of USD 2.1 billion, and Yapi Kredi Bank reports total assets of USD 74 billion. August 22, 2014

## MicroCapital Deal of the Month

### Sumitomo Mitsui Buying 12% of Cambodia's Acleda from IFC for \$110m

Japan’s Sumitomo Mitsui Banking Corporation reportedly will purchase a 12.25-percent equity stake in Cambodia’s Acleda Bank from the World Bank Group’s International Finance Corporation (IFC) for USD 110 million. Adel Meer, IFC’s financial institutions group manager for East Asia and the Pacific, said that “with its financial strength and expertise, we believe Sumitomo Mitsui Banking Corporation is a strong strategic partner that can support Acleda’s continued long-term growth and contribute to Cambodia’s economic development and job creation.” It is expected that Sumitomo Mitsui will help the microbank acquire corporate clients. Acleda reports total assets of USD 2.7 billion, outstanding loans of USD 1.6 billion and deposits of USD 1.7 billion. It also operates subsidiaries in Laos and Myanmar.

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**Rwanda, Access to Finance, KfW Launch \$4m Microfinance Fund**

Rwanda’s Ministry of Finance and Economic Planning; Access to Finance Rwanda, a Kigali-based investment company that promotes financial inclusion in the country; and German development bank Kreditanstalt für Wiederaufbau Entwicklungsbank (KfW) recently launched the Microfinance Challenge Fund Rwanda to provide technical assistance and loans equivalent to USD 4 million to micro-finance institutions in Rwanda. Dr Klaus Müller, KfW’s regional director, said that, “The Challenge Fund is expected to bring significant added value at the micro level by expanding financial services to [micro-, small and medium-sized enterprises] in rural areas.” Although financial information on Access to Finance Rwanda is not available, the organization’s funders include the UK’s Department for International Development, the World Bank Group and KfW. August 22, 2014

**EBRD Likely to Loan \$150m in Jordan for On-lending to MSMEs**

The European Bank for Reconstruction and Development (EBRD), a multilateral institution headquartered in London, is considering launching a senior, unsecured credit facility of USD 150 million for banks in Jordan for on-lending to micro-, small and medium-sized enterprises (MSMEs). If approved, loans under the credit facility framework will be disbursed to five or more banks in USD, EUR or JOD, although loans to the MSMEs are to be denominated in local currency. The facility would also offer technical assistance and a loan guarantee scheme with a “first loss tranche” provided by EBRD and a “second loss tranche” provided by the Jordan Local Guarantee Corporation, a Jordanian public-private partnership. Subject to the approval of its board of directors, EBRD will disburse local-currency loans each equivalent to USD 20 million with terms of five years and grace periods of two years to Bank Al Etihad, which has assets of USD 2.7 billion, and Cairo Amman Bank, which has total assets of USD 3.1 billion and 108 branches in Jordan and Palestine. August 21, 2014



### Methodist Church of Nigeria to Establish Microfinance Institution

The Methodist Church of Nigeria reportedly has announced plans to establish a new microfinance institution, Wesley Microfinance Bank. According to a statement attributed to Dr Samuel Emeka Kalu Uche, “the establishment of...Wesley Microfinance Bank Limited is geared towards the empowerment of youths and the poor, both within and outside the church. This is in a bid to support the efforts of... government in provision of food security and to create job[s].” Details such as the microbank’s proposed location and the size of its budget have not been released. August 21, 2014

### EBRD Likely to Loan BCP Affiliates \$133m for Moroccan MSMEs

The European Bank for Reconstruction and Development, a multilateral institution headquartered in London, is considering disbursing a loan equivalent of USD 133 million to Banque Centrale Populaire, a member of the Moroccan mutual banking group Groupe Banque Centrale Populaire (GBCP), as well as to 10 of its affiliates for on-lending to micro-, small and medium-sized enterprises in Morocco. GBCP reports consolidated assets of USD 35 billion. August 21, 2014

### Indian Banks Nudged on Rural ATMs, Financial Education

The Reserve Bank of India (RBI), the country’s central banking authority, reportedly has initiated a program under which banks are “encouraged” to install an unspecified number of automatic teller machines (ATMs) in rural areas that will dispense bank notes in relatively small denominations. RBI Deputy Governor Rama Subramaniam Gandhi reportedly said that “typically in city or urban centric ATMs, they will disburse high denomination notes [equivalent to USD 16 and USD 8], whereas in rural areas, people will be requiring more of lesser denomination.” RBI reportedly also will amend its regulations to allow banks to use “unclaimed and unused deposits” to pay for consumer financial education efforts. August 20, 2014

### India to Revise Microinsurance Product Structure

India’s Insurance Regulatory and Development Authority (IRDA) reportedly is set to revise its guidelines to allow insurers to delegate the distribution of their microinsurance products to rural banks, micro-finance institutions, cooperative banks, NGOs, self-help groups, public telephone call offices and the government’s rural “fair-price” shops. IRDA defines “microinsurance” as general or life policies with benefits of less than the equivalent of USD 820. While the average amount insured under such policies is about USD 50, insurance companies have asked IRDA to double the ceiling to USD 1,650. According to an unspecified insurance executive, “For insurers, unless these products are sold in huge volumes, it is not a big business proposition. So unless the ticket-size goes up, companies may not make a big investment into this segment.” August 19, 2014

### Grameen-Jameel Donates \$1m to Kiva for MFIs in MENA

Kiva, a US-based nonprofit that raises money online for microfinance institutions, and Grameen-Jameel Microfinance Limited, a Cyprus-based nonprofit venture of the US-based Grameen Foundation and Saudi Arabia-based Abdul Latif Jameel Community Initiatives, have launched a campaign called Change is in Your Hands to support the financing of entrepreneurs in the Middle East and North Africa. Grameen-Jameel has committed USD 1 million to the campaign and is offering to give an additional USD 25 to each of the first 13,000 individuals who sign up to lend to the effort through Kiva’s Middle East regional website. The funds lent by these individuals will be matched by Grameen-Jameel up to a total of USD 665,000. Since its inception in 2005, Kiva has raised funds for loans totaling USD 587 million that have been disbursed by 269 lenders in 77 countries. Grameen-Jameel has provided guarantees totaling USD 24 million for projects in nine countries and territories in the Middle East and North Africa. August 19, 2014

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### **MTN Ghana Partners with MFIs on Mobile Money**

Mobile Telecommunications Network (MTN) Ghana, an arm of South Africa's MTN, reportedly has partnered with unspecified microfinance institutions (MFIs) in Ghana to allow the MFIs' customers to use the MTN Mobile Money service to make loan repayments. MTN Mobile Money is also working with Ghana's Ministry for Gender, Children and Social Protection to provide funds to beneficiaries of the Livelihood Empowerment Against Poverty Program, which makes cash and microinsurance available to households deemed "extremely poor." MTN Ghana CEO Serame Taukobong reportedly stated that he is "confident that a cashless society [in Ghana] is not far off." MTN Ghana has 1 million customers that effect 6.5 million transactions per month. MTN reports 120 million subscribers in 21 countries in Africa and the Middle East. August 18, 2014

### **Hana of South Korea Using MFI to Establish Foothold in Myanmar**

South Korea's Hana Bank reportedly has established a microfinance institution in Myanmar named Hana Microfinance, which is expected to disburse loans up to the equivalent of USD 485 in 23 townships. An unnamed official of Hana Bank reportedly said that "the microfinance unit is set to boost Hana Bank's corporate image in Myanmar and potentially help the bank's long-term goal of entering the local banking industry." Hana Bank reports assets of USD 23 billion. August 18, 2014

### **World Bank Donating \$22m to Commercialize Ag in Tajikistan**

The International Development Association, the arm of the World Bank Group (WBG) that offers interest-free credits and grants to the world's 82 poorest countries, has agreed to disburse a grant of USD 22 million to support the government of Tajikistan's Agriculture Commercialization Project, which is to provide loans, grants and capacity-building support to small-scale farmers. The government will use a portion of the funds to implement policy and regulatory reforms, support market research and modernize education services related to commercial agribusiness. Additionally, the International Finance Corporation, the private-investment arm of WBG, has announced a "direct investment" of USD 2 million to support the commercialization of the country's agriculture sector. WBG Country Manager Marsha Olive said, "This project will expand opportunities for farmers by introducing modern marketing methods and commercial practices that add value to agricultural products." August 16, 2014

### **Hatton of Sri Lanka Taking 51% Stake in Prime Grameen for \$5m**

Hatton National Bank, a private bank in Sri Lanka, reportedly is in the process of acquiring a 51-percent stake in Prime Grameen Micro Finance, a Sri Lankan microbank, for the equivalent of USD 5 million. Since 1991, Hatton, which reports total assets of USD 3.9 billion, has served small and medium-sized enterprises in rural areas through a program called Gami Pubudwa, which translates as "Village Awakening." Prime Grameen, which is licensed to accept deposits as well as issue loans, reports total assets of USD 25 million, return on assets of 19 percent and return on equity of 42 percent. August 16, 2014

### **India Launches 15 MSME "Technology Centres"**

India's Ministry of Micro-, Small and Medium Enterprises (MSMEs) reportedly has launched a Technology Centre Systems Programme, which involves improving three existing technology centers and establishing 15 additional such centers with the aim of improving MSMEs' access to manufacturing technologies, technical assistance and qualified staff. The ministry also is implementing other programs to support MSMEs, including the Technology and Quality Upgradation Programme, which involves promoting energy efficiency, and the National Manufacturing Competitiveness Programme for Technology Upgradation of MSMEs, which focuses on improving production practices. August 15, 2014

### **Rwandan MFIs Share Software Through Trade Association**

The 62-member Association of Microfinance Institutions in Rwanda is offering its members access to a computer system intended to allow them to collect and sort client data, streamline loan applications and monitor their performance. Sixteen microfinance institution managers have been trained to use of the software, and additional training is ongoing. Supporters of the project include the National Bank of Rwanda; Access to Finance Rwanda, an investor in financial inclusion; and the Small Enterprise Education and Promotion Network, a US-based NGO. August 15, 2014

### **KazAgro Privatizing MFI Subsidiaries in Kazakhstan**

KazAgro National Management Holding Company, which implements agribusiness activities for the government of Kazakhstan, reportedly will sell 45 of its subsidiaries as part of a second phase of privatization. This is in addition to the sale of three of KazAgro's microfinance institutions (MFIs) already completed during this phase. KazAgro Deputy Chairman Kairat Aytuganov reportedly said that, "The majority of [the 48 subsidiaries] are microcredit organizations.... These companies will be sold in the second half of 2014." During the first privatization phase, which took place between 1991 and 2001, 71 percent of state-owned organizations were divested through methods including employee and management buyouts, cash auctions, direct sales and public offerings. KazAgro reported total assets equivalent to USD 3.2 billion as of 2013. August 14, 2014

### **Janalakshmi Awards \$90m Contract to IBM**

Janalakshmi Financial Services, an Indian microfinance institution that offers loans and insurance primarily in urban areas, has agreed to purchase the equivalent of USD 90 million in products and services over six years from International Business Machines (IBM), a US-based information technology company. As part of the deal, IBM is to upgrade the microlender's payment platform to enable new mobile and electronic payment products, gather and process customer data more efficiently, and support credit decisions as well as distribution and collection models. Janalakshmi reports assets of USD 420 million. August 14, 2014

### **India's ESAF Issues \$7.8m in NCDs to Triodos**

Evangelical Social Action Forum (ESAF) Microfinance and Investment Private Limited, an Indian microlender, reportedly has raised the equivalent of USD 7.8 million through an issue of non-convertible debentures to Triodos Microfinance Fund, which is managed by a subsidiary of Triodos Bank of the Netherlands. ESAF Microfinance is promoted by ESAF, an NGO that operates in six Indian states. ESAF Microfinance reports total assets of USD 93 million, a gross loan portfolio of USD 78 million, 384,000 borrowers, return on assets of 2.0 percent and return on equity of 11 percent. August 14, 2014

### **Vodacom Relaunches M-Pesa Mobile Money in South Africa**

Vodacom South Africa, which is controlled by the UK-based Vodafone Group, reportedly has relaunched its M-Pesa mobile payment system in South Africa. Originally rolled out in 2007 in Kenya, M-Pesa was made available in South Africa in 2010 but was suspended in early 2014 due to a lack of customer interest. The relaunched system is based on a voucher system and allows customers to withdraw funds with a Visa-branded M-Pesa card at electronic points of sale and without a card at automated teller machines. According to a statement attributed to Herman Singh, the managing executive of mobile commerce at Vodacom, "the registration process is significantly quicker than...the first time." Vodacom serves 57 million customers in Africa. M-Pesa serves 16 million clients in Kenya, 5 million in Tanzania, and an unspecified number in Eurasia and elsewhere in Africa. US-based Visa has 2.2 billion payment cards in service in 200 countries. August 13, 2014



### EBRD Assists in Drafting Mobile Banking Regulations in Tajikistan

The European Bank for Reconstruction and Development (EBRD), a UK-based multilateral institution, and the central bank of Tajikistan have been collaborating to launch a regulatory framework to support the development of technology and retail infrastructure that will enable banks and other organizations to offer financial services via mobile phones. Sibel Beadle, who holds the title of senior banker at EBRD, argued that, "Tajikistan now has the regulatory framework and know-how required for a vibrant mobile money market which will help bring financial services to its unbanked population." August 13, 2014

### UN Adopts OMNIEnterprise Software in Middle East

InfrasoftTech, an Indian financial software firm, reportedly has sold its OMNIEnterprise Microfinance Solution to the UN Relief and Works Agency, which provides financial services, education, health care and social services to Palestinian refugees. The software will be used in Gaza, Jordan, Syria and the West Bank "to manage multi-entity, multi-currency and multi-lingual" functions such as the management of client data and fixed assets and centralizing beginning and end-of-day operations. InfrasoftTech serves 300 customers worldwide. August 11, 2014

### Vietnam's VBSP Deploys Polaris's Intellect Software

The Vietnam Bank for Social Policies (VBSP), a government-owned provider of microfinance and other services, recently has deployed the Intellect Core Banking Solution of India's Polaris Financial Technology Limited. The software is intended to assist with improving operational efficiency, assessing impact, monitoring credit lines, managing collateral, tracking repayments and evaluating delinquencies. VBSP has 692 branches and total assets of USD 5.9 billion. With offices in 30 countries, Polaris reports total assets equivalent to USD 271 million. August 9, 2014

### Econet Offering MasterCards to Mobile Money Users in Zimbabwe

EcoCash, a mobile money service of South Africa's Econet Wireless, reportedly will provide 3 million of its users with debit cards from MasterCard, a US-based payments and technology company. The cards will allow customers to pay for goods and services from retailers and withdraw cash from automated teller machines. According to a statement attributed to Econet CEO Douglas Mboweni, "The adoption of electronic payments is critical to Zimbabwe's economic development. Reducing dependency on cash while increasing financial inclusion benefits the whole country including the government, industry sectors like tourism and retail, merchants and citizens." Econet Wireless Zimbabwe reports 8.8 million subscribers including 4 million EcoCash customers. MasterCard reports total assets of USD 14 billion and 1.2 billion payment cards in circulation. August 9, 2014

### Frontier Invests Equity in Eseye Seeking to Expand Utility Access

Frontier Investments Group, a venture-equity initiative that seeks to invest in companies serving financially excluded populations, has invested an undisclosed sum in Eseye Limited, a UK-based machine-to-machine (M2M) technology provider, during Eseye's series-B financing round, which raised a total of USD 9 million from Frontier and other unidentified investors. Eseye's technology can minimize the risk for utility companies serving low-income populations by allowing the firms to remotely enable and disable services such as electricity and products such as solar lamps. M-Kopa, a Kenyan solar energy provider, has incorporated Eseye's M2M system to allow it to grant and block access to its devices remotely when 100,000 of its customers do and do not make payments. Frontier Investments is an affiliate of US-based NGO Accion, which reported total assets of USD 326 million and, in association with its partner MFIs, had an aggregate active loan portfolio of USD 7.1 billion serving 6 million borrowers as of 2012. August 9, 2014



## Vision Microfinance: Social Impact Investing

Vision Microfinance is an appeal to combat poverty in a meaningful and sustainable way. So far 444 m USD have been distributed in the form of 458 promissory notes to 184 microfinance institutions in 37 countries. Thanks to our investors the lives of over 1 m people in developing countries have been transformed.

Vision Microfinance allows private and institutional investors to participate in the fast growing microfinance industry. Investors benefit from the extensive asset management expertise of Absolute Portfolio Management who work in close partnership with microfinance specialist Symbiotics and the Bank in the diocese of Essen, a cooperative bank specialized in sustainable investments. This unique cooperation of fund manager, research team and ethical guide yields innovative microfinance solutions: Vision Microfinance.

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## SPECIAL REPORT

*This description of the work of one of the eight Action Groups of the European Microfinance Platform (e-MFP) is sponsored by e-MFP, a 130-member network located in Luxembourg.*

### Microfinance and the Environment

*MicroCapital: Would you please tell us about the European Microfinance Platform (e-MFP) Microfinance and Environment Action Group?*

Marion Allet: The e-MFP Microfinance and Environment Action Group was officially launched in February 2013. It is an initiative of various organizations that were already involved in “green microfinance,” such as MicroEnergy International, ADA, PlaNet Finance, Enclude, PAMIGA (the Participatory Microfinance Group for Africa), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) etc. A few years ago, there were very few actors addressing the issue of the environment within microfinance, so we thought there was a real need for sharing experiences. We also wanted to provide some practical tools to help stakeholders understand what green microfinance is and how to get involved.

This is why the Action Group developed a directory that soon will be published on the e-MFP website. It will allow organizations to announce what they are doing in terms of green microfinance, the countries they work in and the specific areas of environmental management in which they are involved. This will help others interested in this area to get in touch with organizations that already have some experience in it.

We have also created a second tool, a catalog of around 10 fact sheets on renewable energy and energy-efficient devices, such as solar water pumps, improved cook stoves, and “pico” solar solutions for lighting and mobile phone charging. These fact sheets are specifically written for microfinance institutions (MFIs) that may be interested in offering loans for purchasing these products.

*MC: Are you also working on how to assess environmental performance?*

MA: Yes, we have also designed another tool called the Green Index, and right now we are working on a short publication to present it. It is a pedagogical tool that shows a range of strategies that can be implemented by an MFI to improve its environmental performance.

The tool is built along three dimensions. The first one relates to the formal environmental strategy of the MFI, including indicators such as having a formal environmental policy, appointing a specific person

to manage environmental issues or reporting publicly on the organization’s environmental performance. The second dimension involves looking at the MFI’s environmental risks. In terms of its internal ecological footprint, an MFI might seek to reduce the consumption of paper, water and energy at its offices. External risks include the environmental risks of the activities that an MFI finances, which might be addressed through an exclusion list, by which certain activities are ineligible for funding; by raising clients’ awareness of mitigation solutions; or by requiring borrowers to reduce environmental risks as a condition for accessing subsequent loans. The third and final dimension focuses on how MFIs can foster green opportunities, for example by offering loans or training specific to promoting environmentally friendly practices (such as within agro-forestry), businesses (such as recycling), or technologies (improved cook stoves, for example). There is a wide range of possibilities here.

The Green Index has been included in the latest version of the Social Performance Indicators tool, SPI4, which was developed by CERISE (Comité d’Echanges de Réflexion et d’Information sur les Systèmes d’Épargne-crédit). It is currently being tested, and we look forward to receiving feedback and suggestions on how to improve it.

*MC: Can you offer an example of a problem an MFI experienced in entering this arena?*

MA: Yes, I have many examples! Getting involved in environmental management is actually rather challenging for an MFI. Some years ago, I worked with an MFI in El Salvador that tried to assess the environmental risks of its clients’ activities and raise awareness on mitigation solutions. The MFI had developed practical tools for that and provided some training to its staff. But loan officers found it very difficult to provide useful advice to the clients since they were not “technicians” of environmental risk mitigation. They also felt it took up too much of their time. A better solution might have been possible by partnering with an environmental NGO.

*MC: Please share a success story.*

MA: There are various MFIs today that offer products that are specific to financing clean energy access, such as solar solutions, biogas digesters or improved cook stoves. By doing so, they contribute to the livelihoods of their clients while reducing health risks linked to traditional sources of energy and preserving the environment.

*MC: Do you have any comments on the European Microfinance Award, which this year is specific to microfinance and the environment?*

MA: I think the award will give us a great opportunity to discover some inspiring initiatives in this field and reflect on how to improve environmental management in microfinance. Poor people are the most affected by environmental issues and by climate change; as microfinance actors, there is a link here that we cannot dismiss.

*In addition to serving on the e-MFP Microfinance and Environment Action Group, Marion Allet serves as the Senior Programme Officer for the Environment & Microfinance at PAMIGA (the Participatory Microfinance Group for Africa), which is based in France.* 



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## FIELD NOTES

### Banks vs. Mobile Money: The Tortoise and Hare in Youth Savings?

Relishing the last remaining hours before the start of the school year, my 11-year-old daughter and her friend recently went to our local burger joint for lunch, had their nails painted at a salon and enjoyed Frappuccinos at Starbucks, all with no adult supervision. The money was easily accessible - my daughter carries all of her savings in a little purse with a picture of an owl on it rather than depositing it into her savings account. "The bank is too far" or "It's not worth it; I only get a few pennies in interest" are common complaints. What she means is, "The opportunity cost is too high, and I want to access my money through a convenient and accessible mechanism." Without batting an eyelash, these two girls spent the equivalent of a week's salary for many of the people we work with.

I became even more worried when I learned that Apple is rumored to have made a deal with Visa, MasterCard, American Express and possibly PayPal to allow people to use iPhones to make retail purchases. My daughter is too young to apply for a checking (transactional) account, but she has an iPhone and can navigate both online and physical shops. If her recent spending of large amounts of money in short time spans is any indication of things to come, we are in trouble! Throughout the world, non-bank solutions are becoming more accessible for the underbanked and unbanked. In the US, little girls throughout the country, too young to access traditional accounts but armed with iPhones and highly developed shopping habits, will soon have an even more convenient way to shop - and basically dis-save.

The business model of most non-bank financial firms is to get people to spend money. Banks, on the other hand, seem unable to keep up with the competition, which is too bad since their "bread and butter" is more conducive to good habits like savings and investments rather than impulse buys. There is a clear social value in their services, but is there a business case for banks to attract small amounts of savings from youth?

I recently participated in a Web-chat with representatives of CGAP and the MasterCard Foundation to discuss the "Framework for a Business Case for Youth Savings" that my firm, EA Consultants, developed with CGAP. The session included an online poll asking participants to identify the biggest driver of the business case for youth savings. The answer given by 74 percent of participants was that financial institutions should serve youth as a long-term strategy for acquiring the business of these future adults.

Despite the high opportunity cost of investing in the future, banks should not be discouraged from thinking long-term (i.e. growing their customer base by attracting low-balance savings accounts). Regulators, policy-makers and parents should help promote savings habits and facilitate the distribution of products appropriate for young people. There are great examples in Europe, where countries with a strong culture of thrift have been more resilient in the face of financial crises. In our Framework, we highlight the example of Germany's Sparkassen in promoting youth savings products to build a customer base of the future. Though non-bank models may be more agile in reaching youth, I am wary of the promise of their models. Faster, easier access to mobile transactions will neither make my daughter - nor me - any wealthier over time. Instead, I am hoping that financial institutions that make a business case from savings intermediation will start to innovate faster. In our own bank has realized this and offers a transactional account for my older daughter, who is in high school. Maybe it's time for banks to move into an even younger youth segment.

*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](mailto:bmagnoni[at]eac-global.com), or you may follow her on Twitter at [BarbaraatEA](#).*



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## MICROCAPITAL MARKET INDICATORS EAST ASIA AND THE PACIFIC

107 MICROFINANCE INSTITUTIONS (MFIs) REPORTING<sup>1</sup>

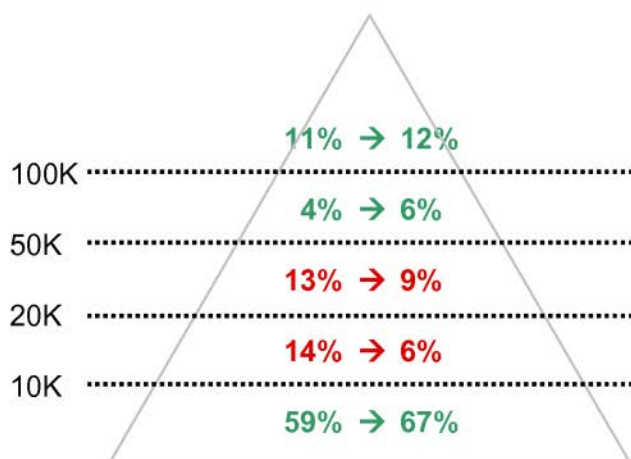


### TOP MFIs BY GROWTH IN GROSS LOAN PORTFOLIO: CHANGE IN USD

MFI NAME	COUNTRY	AVERAGE ANNUAL USD INCREASE	AVERAGE ANNUAL % INCREASE	2010	2012
Harbin Bank	China	2,513,577,063	27%	8,104,552,352	13,131,706,478
Bank Rakyat Indonesia	Indonesia	1,261,477,975	14%	8,374,444,444	10,897,400,395
Vietnam Bank for Social Policies	Vietnam	439,633,821	9%	4,588,944,354	5,468,211,995
Acleda Bank	Cambodia	254,540,145	30%	744,664,196	1,253,744,486
Commercial Bank of Benxi Liaoning	China	124,681,888	15%	778,134,164	1,027,497,940
Prasac	Cambodia	54,518,632	43%	105,551,757	214,589,022
Beijing Huairou	China	54,242,486	331%	6,183,983	114,668,955
Amret Microfinance	Cambodia	40,808,939	49%	67,026,973	148,644,851
China Foundation for Poverty Alleviation	China	39,190,292	53%	59,049,850	137,430,435
Chongqing HanHua Microcredit Company	China	37,135,736	65%	43,292,790	117,564,262

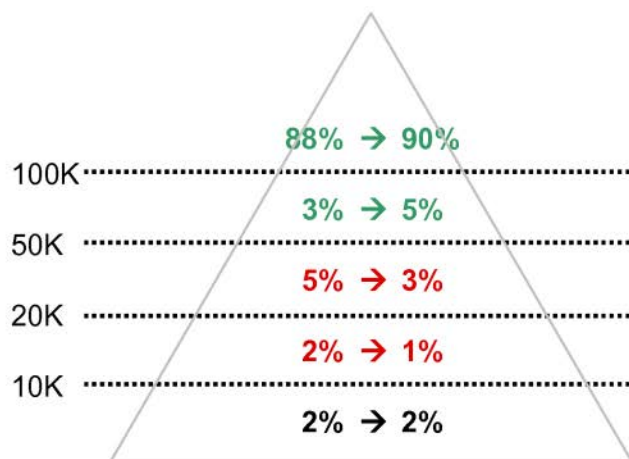
### PERCENT OF MFIs IN MARKET BY SIZE (NUMBER OF ACTIVE BORROWERS)

2010 → 2012



### MARKET SHARE BY MFI SIZE (NUMBER OF ACTIVE BORROWERS)

2010 → 2012



<sup>1</sup>Denotes only MFIs that reported data for 2010 and 2012 to the Microfinance Information Exchange (MIX) Market

## UPCOMING EVENTS

### Triple Bottom Line Investing (TBLI) Conference Nordic 2014

September 10 - September 11, 2014; Oslo, Norway

This event will focus on “environment, social, governance” and impact investing. The standard fee to attend is NOK 6,950, and a range of discounts is available. For additional information, you may email [conference\[at\]tbligroup.com](mailto:conference[at]tbligroup.com), call +31 20 428 67 52 or visit <http://www.tbliconference.com/index.php/upcoming-conferences/tbli-nordic-2014>.

### Clinton Global Initiative Annual Meeting

September 21 - September 24, 2014; New York, New York, USA

This meeting is designed to bring together “influential leaders from business, government, civil society and philanthropy” to discuss solutions to global issues under a theme of “reimagining impact.” The Clinton Global Initiative Awards will be given for accomplishments in philanthropy or public service. There is no fee to attend this invitation-only event. For more information, you may call +1 212 397 2255, email [info\[at\]clintonglobalinitiative.org](mailto:info[at]clintonglobalinitiative.org) or visit <https://clintonfoundation.org/clinton-global-initiative/meetings/annual-meetings/2014/>.

### Small Enterprise Education & Promotion Network Conference

September 22 - September 25, 2014; Arlington, Virginia, USA

This event will address how technology can support “pro-poor” markets and financial systems; delivering energy, water, sanitation and health care in low-income areas; sustainable development; and scaling-up successes. There is no fee for the opening “Member Day.” The standard fee to attend the events on September 23 and 24 is USD 1,020. The fee for the “Global Network Summit” of microfinance associations on the final day is USD 510. Discounts are available. For more details, you may email [annualconference\[at\]seepnetwork.org](mailto:annualconference[at]seepnetwork.org), call +1 202 534 1400 or visit <http://www.seepnetwork.org/annual-conference-pages-20008.php>.

### Soul of the Next Economy Forum

October 3 - October 4, 2014; Calgary, Alberta, Canada

This forum will cover a range of topics including poverty reduction, economic empowerment, sustainable development, corporate and charity collaboration, social responsibility and social entrepreneurship, which will be discussed from local, national and international perspectives. The fee to attend is CAD 99, with discounts available for students, reception-only tickets and for registrations received by September 10. For additional information, you may call Barb Briggs at +1 403 287 0483, email [info\[at\]nexteconomyforum.com](mailto:info[at]nexteconomyforum.com) or visit <http://www.nexteconomyforum.com/>.

### 5th Toronto International Microfinance Summit

October 4, 2014; Toronto, Ontario, Canada

Themed “Microfinance for Social Justice,” this event will feature topics such as the relationship between microfinance and aboriginal peoples, investment opportunities, scale and sustainability, and women’s empowerment. There will also be a “micromarketplace” allowing microentrepreneurs and “social innovators” to present their work. The conference fee is CAD 125, with an early registration rate of CAD 100 available until September 15. For additional information, you may call Wendy Bodnoff at +1 905 334 3660, email [info\[at\]microfinanceconference.ca](mailto:info[at]microfinanceconference.ca) or visit <http://www.microfinanceconference.ca/>.

### Global Youth Economic Opportunities Conference 2014

October 6 - October 8, 2014; Washington, DC, USA

The conference is intended to foster learning and action to “build the youth economic opportunities sector.” Participants will discuss challenges in youth microenterprise, such as workforce development; enterprise development; access to finance; gender-specific support; technology; and youth in hospitality, travel and tourism. The cost per person is USD 725, with a discounted rate of USD 615 available for presenters. For more information, you may call +1 202 783 4090, email [summit\[at\]makingcents.com](mailto:summit[at]makingcents.com) or visit <http://www.youtheosummit.org/>.

### 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](mailto: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](mailto:info[at]mifos.org).

## MORE DETAILS COMING SOON ON...

### Columbia Business School Social Enterprise Conference

October 31, 2014; New York, New York, USA

### Global Islamic Microfinance Forum

November 1 - November 2, 2014; Dubai, United Arab Emirates

### XVII Foro Interamericano de la Microempresa

November 4 - November 6, 2014; Guayaquil, Ecuador

### Sustainable, Responsible, Impact Investing

November 9 - November 11, 2014; Colorado Springs, Colorado, USA

### 10th International Microinsurance Conference

November 11 - November 13, 2014; Mexico City, Mexico

### European Microfinance Week

November 12 - November 14, 2014; Luxembourg

### Banking South Asia's Half Billion Unbanked

November 17 - November 19, 2014; Islamabad, Pakistan

### Mobile Money & Digital Payments Global

November 18 - November 20, 2014; Istanbul, Turkey

### African Microfinance Week

December 1 - December 5, 2014; Ouagadougou, Burkina Faso

### Cracking the Nut 2015: Expanding Rural and Agricultural Markets Amid Climate Change

March 2 - March 3, 2015; Lusaka, Zambia 🇿🇲



## PAPER WRAP-UPS

### Symbiotics 2014 MIV Survey Report: Market Data and Peer Group Analysis

*Published by Symbiotics Group; 2014; 36 pages; available at <http://www.symbioticsgroup.com/media/72461/symbiotics-2014-symbiotics-miv-survey-report.pdf>*

Symbiotics, a Switzerland-based investment company, recently performed a survey of the 2013 financial and social performance of 80 microfinance investment vehicles (MIVs), representing 94 percent of the global MIV market. As of December 2013, the respondents managed assets valued at USD 9.3 billion.

The first section of the survey reveals an increase of 17 percent in the funds' aggregate microfinance portfolio from 2012 to 2013. In 2013, "the market for asset managers became more concentrated" with approximately 40 percent of the total assets managed by the top three MIVs. The microfinance portfolio of the MIVs also was regionally concentrated, with 40 percent of funds invested in Eastern Europe and Central Asia and 30 percent in Latin America and the Caribbean. The asset composition of the MIVs was stable, with investments primarily made through direct

debt. In 2013, the average size of direct debt investments increased slightly to USD 1.9 million from USD 1.8 million in 2012. The average number of investees per MIV increased from 29 in 2012 to 34 in 2013. The simple average yield of the MIVs decreased to 6.9 percent in 2013 from 7.7 percent in 2012.

The "social outreach" of the MIVs intensified, with investments reaching 202,000 borrowers in 2013 compared with 165,000 during 2012. The average loan size of microfinance institutions in the MIV's portfolios also decreased from USD 2,070 to USD 1,790.

In terms of peer groups, 60 percent of the MIVs in the survey are fixed-income funds, 21 percent are mixed funds and the remainder are equity funds. In 2013, fixed-income funds and mixed funds experienced stable growth of 16 percent and 19 percent, respectively. Equity funds grew by 12 percent in 2013, down from growth of 66 percent during 2012.

In 2013, 76 percent of the aggregate portfolio of the MIVs was invested in microfinance, 8 percent was invested in small and medium-sized enterprises and fair trade investments, and the balance held in cash and other assets.

While the majority of the value of the MIVs' investments was placed in Eastern Europe and Central Asia, equity funds decreased their new participation in this region to 3 percent in 2013 from 38 percent in 2012 and boosted their activity in South Asia to 66 percent from 18 percent.

On the funding side, institutional investors supplied 52 percent of the MIVs' funding. Public-sector institutions committed 30 percent of funding, retail investors provided 11 percent and high net-worth individuals accounted for the balance. The public sector directed most of its funding to fixed-income funds, while retail investors primarily supported mixed funds and high net-worth individuals invested mostly in equity funds.

The average total expense ratio (TER) of the MIVs was 3.2 percent, with the fixed-income TER being the lowest. Annual returns of unleveraged MIVs ranged from 2.4 percent to 23 percent, except for the returns of euro share classes of fixed-income funds, which ranged from 1.61 percent to 1.69 percent. For leveraged MIVs, euro-denominated equity tranches performed better than US-dollar equity tranches, while the opposite was observed for fixed-income notes.



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## Self-Selection into Credit Markets: Evidence from Agriculture in Mali

By Lori Beaman, Dean Karlan, Bram Thuysbaert and Christopher Udry; released as a working paper by the Poverty Action Lab; May 2014; 36 pages; available at <http://www.nber.org/papers/w20387>

This study examines the impact of a micro-lending program that sampled 198 villages from the Sikasso region of Mali between 2010 and 2012. In the past, microcredit agencies offered farmers loans that required small, regular repayments. This can undercut an industry that typically makes money seasonally. The researchers try to circumvent this predicament with a loan product that collects a larger loan repayment once or twice per year. A second goal is to determine if high-performing farmers, in particular, self-select into these loan products.

In this experiment, researchers arranged to offer loans in 88 villages randomly selected out of the 198 villages studied. The loans were disbursed through the microlender Soro Yiriwaso, and a one-time USD 140 cash grant was given to a random subset of participants who chose not to accept a loan. In the remaining 110 villages - the control group - no loans were offered, but some households were randomly selected to receive the cash grant of USD 140.

In “no-loan” villages, the cash grants boosted productivity as 8 percent more land was cultivated, 14 percent more fertilizer was used and profits rose by 12 percent. On the other hand, in villages in which loans were disbursed, households that accepted grants had zero returns, while households that self-selected into the borrowing scheme produced higher returns. This suggests that the experiment’s process sorts farmers by productivity: high producers tend to choose to borrow while low producers forego the loan.

Arguing that microcredit products with small, repeating repayments are ineffective for agriculture, the authors maintain that “balloon payments” timed to correspond with harvest time can be part of a more successful strategy.

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## Myanmar: Demand, Supply, Policy and Regulation

By Doubell Chamberlain et al; published by the Centre for Financial Regulation & Inclusion; 2014; 41 pages; available at <http://cenfri.org/documents/MAP/2014/MAP%20Myanmar%20Synthesis%20Note.pdf>

The authors find that 30 percent of adults in Myanmar use regulated financial service providers, including banks, microfinance institutions (MFIs), cooperatives and state-regulated pawnshops; and 6 percent of adults use more than one regulated financial product. Twenty-one percent of adults rely on unregulated financial service providers including “rice specialization companies,” “agricultural input providers,” informal money-lenders, community groups and informal pawnshops, which often offer services at “substantially higher cost” than regulated providers. The study indicates that rural areas offer slightly better access to regulated financial services than urban areas due to government measures and a significant commercial banking presence. MFIs serve 700,000 clients in the country.

The authors identify five financial inclusion target groups: “farmers,” “formal enterprises,” salaried consumers, “informal enterprises,” and consumers who work in the informal sector. Farmers constitute the largest group and are the most frequent users of regulated credit. Formal enterprises report the lowest uptake of regulated credit. One quarter of the

“formal consumers,” who are employed in the public sector or formal private sector, use regulated financial institutions. Informal enterprises and “informal consumers,” including casual laborers, the informally employed and those who rely on remittances, are the most financially excluded.

The authors acknowledge that the government of Myanmar has made progress in financial inclusion through government-led financial services, liberalizing the market and strengthening regulation. However, Myanmar’s financial service providers generally struggle with capital constraints. MFIs, cooperatives and other credit providers rely on non-commercial “mandated” wholesale funding, subsidized capital injections and donor funding, as opposed to commercial funding. Commercial offerings have not achieved significant scale in funding financial services for people with low incomes.

The country’s electronic payments network is limited, and the authors argue that the banking system needs wider mobile-payment options, branch infrastructure and agent networks. Improving “agricultural input credit” may also increase agricultural productivity. Formalizing unsecured credit would be desirable too, but would require regulatory adjustments including increasing interest-rate and loan-size caps. Also, the country’s insurance sector is underdeveloped, with health, funeral, agricultural and credit life insurance products unavailable despite the fact that these products could offer collateral to secure credit. 📌

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