MicroCapital Monitor

ON MICROFINANCE & OTHER FORMS OF IMPACT INVESTING

FREE PREVIEW EDITION*

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MICROCAPITAL BRIEFS | TOP STORIES

Investors Buy $173m in Equity in India's Fusion; IPO Allows Exits

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EBRD's AgriAcademy Offers Graduate Courses in Ukraine

The UK-based European Bank for Reconstruction and Development (EBRD) has begun to roll out an online, free-of-charge learning platform called AgriAcademy with a target of educating 10,000 agri-food workers in Ukraine. The goal is to make the country's agricultural sector more competitive and resilient, particularly in the wake of the damage caused by the war with Russia. EBRD has determined that Ukraine is lacking in agricultural specialists "in every subsector" and could benefit from greater usage of digital tools for day-to-day work as well as for boosting workers' knowledge. EBRD plans to expand AgriAcademy over time to offer 240 hours of coursework, covering the equivalent of three courses toward a master's degree in areas such as raising livestock, horticulture, land stewardship, process management and sales. December 19. 2022

Mintoak, HDFC Bank Partner on E-payment Acceptance for Indian MSMEs

Mintoak, an India-based provider of payment management services for small companies, recently partnered with India's HDFC Bank to allow the bank's customers to accept card- and app-based payments via Mintoak's SmartHub Vyapar app. The service targets micro-, small and medium-sized enterprises in particular. Mintoak CEO Raman Khanduja reportedly argued that the trust customers have in banks means these institutions are "best placed to offer a full stack of integrated solutions - payments, [value-added services] and financial services." Mintoak's product menu includes tools for financial reporting of both electronic and cash transactions as well as for receiving payments from cards and apps such as BHIM (Bharat Interface for Money), PhonePe, Google Pay and WhatsApp. HDFC Bank reports assets equivalent to USD 270 billion and is an affiliate of the Housing Development Finance Corporation (HDFC), which has 650 offices in India plus one each in Singapore, the UAE and the UK. December 12. 2022

Beneficial Returns Invests in Murlota, Supporting Women in Raising Birds in Mexico

Grupo Murlota, a woman-owned provider of chickens as well as related supplies, financing and training in Mexico, recently borrowed an undisclosed sum from Beneficial Returns, a US-based lender to social enterprises in Latin America and Southeast Asia. The loan will help fund a new building at which Murlota will incubate eggs and provide training to its clients, largely women who live in…*

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NEWS FROM AFRICA

Finclusion Group Raises $2m, Consolidates Branding as "Fin"

The Mauritius-based Finclusion Group recently raised USD 2 million in equity from three individual investors as it consolidates its brands - such as Kenya's TrustGro, Tanzania's Fikia Finance and South Africa's NiftyCredit - under the name Fin. The investment was led by Leonard Stiegeler with additional participation from Sudeep Ramnani and Jai Mahtani. Mr Stiegeler will join the group's Board of Directors. Fin plans to use the new funding to expand geographically and begin helping microfinance institutions expand their product menus. Fin serves a total of 40,000 customers with insurance and loan products. Its loans carry annual interest rates of 24 percent to 42 percent, and its default rate reportedly exceeds 7 percent. December 31. 2022

Zanaco of Zambia Borrows $50m from BII for MSMEs, Climate

Zambia National Commercial Bank (Zanaco) recently borrowed USD 50 million from British International Investment (BII), the UK government's development finance institution, with the goal of funding micro-, small and medium-sized enterprises as well as climate-focused initiatives such as renewable energy generation. BII is looking to support the loan with technical assistance for Zanaco to develop its climate and gender-lens portfolios. The latter is part of the 2X Challenge, through which the development finance institutions of the G7 countries are working with various partners to promote women's economic empowerment in developing countries. Founded in 1969 and headquartered in the city of Lusaka, Zanaco offers banking services tailored for the following markets: (1) personal; (2) corporate and investment; (3) commercial and agriculture; and (4) small and medium-sized enterprise. The bank serves 980,000 customers as of 2022 and reports total assets equivalent to USD 1.4 billion as of 2021. Established in 1948 and formerly known as the CDC (Commonwealth Development Corporation) Group, BII reports total assets of USD 9.0 billion. During 2021, the institution disbursed investments totaling USD 2.3 billion. December 28. 2022

Lulalend Raises $4.7m for SMEs in South Africa

Lulalend, a funder of small and medium-sized enterprises (SMEs) in South Africa, recently partnered with Symbiotics Investments, a Switzerland-based investor focused on smaller businesses in low- and middle- income countries, to issue bonds supplying USD 4.7 million to Lulalend. The bond issue has been deemed socially responsible per the guidelines of the Switzerland-based International Capital Market Association. Lulalend was founded in 2015 and offers online loans equivalent to USD 590 to USD 300,000 with terms of one month to one year. Interest rates decline from 4.5 percent per month to 2 percent per month during the life of a sample loan. Founded in 2004, Symbiotics provides for-profit investment intermediary and business services to investors in and practitioners of microenterprise and SME development as well as lenders to low- and middle-income households. The firm reports USD 2.9 billion in assets under management. December 23. 2022

MICT Buys Tingo with Eye to Boosting Food Exports from Africa

MICT, a US-based, publicly traded provider of financial and technology services in Eurasia and the US, recently finalized its purchase of Tingo, a US-based provider of technology services to farmers in Africa. Meanwhile, Tingo has expanded its operations into Ghana and Malawi. The firm's services include access to pricing and markets - both domestic and international - as well as an escrow service that holds payments for goods until delivery is complete. Tingo serves 9.3 million farmers with the goal of "social upliftment." MICT's other subsidiaries provide: (1) mobile technology products to businesses, largely in Europe and the US; and (2) insurance and investment services, largely to individuals in China. For the quarter ending September 2022, the firm recorded USD 14 million in revenue and a loss of USD 8.1 million, resulting in total assets of USD 144 million. December 15. 2022

ShEquity Invests in Fintech Owoafara of Nigeria

Owoafara, a woman-owned financial inclusion firm in Nigeria, recently sold an equity stake of undisclosed size and price to ShEquity, a Mauritius-based investor in African firms owned and led by women. Owoafara's services include payment cards, a peer-to-peer lending app called Rouzo and a general-purpose financial services app called Fara. Fara facilitates savings, payment, lending, insurance and pension services. Owoafara CEO Tale Alimi noted the firm's plans to expand in West Africa, adding, "Eighty percent of our current loan book are to unbanked women microentrepreneurs. We are proud that our products promote an inclusive fintech [financial technology] sector wherein hard-working informal women entrepreneurs can increase their earnings capacity and strengthen their economic agility…." ShEquity has enrolled 90 firms in its incubator programs, which it launched in 2021. Meanwhile the investment firm has deployed all of the funds from its special purpose vehicle to nine investees, which together serve 14 million people. Going forward, ShEquity is transitioning to venture capital fund structure. December 14. 2022

Sun King Nets $10m from Proparco for Solar Products in Africa

Symbiotics Investments, a Switzerland-based investor focused on smaller businesses in low- and middle- income countries, recently arranged a bond issue in the amount of USD 10 million for the French development finance institution Promotion et Participation pour la Coopération Économique (Proparco) to invest in Sun King, a US-based firm selling solar products in Arica and Asia. Formerly known as GreenLight Planet, Sun King was founded in 2009. Its products include five types of solar lights, four types of home solar electrification kits and an inverter to connect homes to electrical grids. The firm has served 60 million people in 65 countries, including 2.7 million people via a pay-as-you-go model that allows users' devices to be turned on and off remotely as they have funds available to pay for access. Proparco is a member of the AFD Group, whose other member is the French government's Agence Française de Développement (AFD). During 2021, Proparco approved the equivalent of USD 2.4 billion in new disbursements. December 2. 2022

DFC to Support Community Pass Digital Access in Africa, India

Please refer to the subscriber edition of this month's Monitor *to read this story.*

SPECIAL FEATURE

This feature is the last in a sponsored series on European Microfinance Week 2022, which took place in Luxembourg and remotely from November 16 to November 18. MicroCapital has been engaged to report on the conference each year since 2012.

EUROPEAN MICROFINANCE PLATFORM

ADVANCING FINANCIAL INCLUSION

Sounding Alarm Bells on Financial Health: Inclusion Is Not Sufficient

During a panel discussion at European Microfinance Week, the speakers sounded alarm bells on trends in financial health. They were adamant that financial inclusion alone does not boost financial health, which encompasses the ability to meet current needs, absorb shocks and pursue financial goals. Jaspreet Singh of the UN Capital Development Fund noted that account ownership and financial health figures can move in opposite directions. Anup Singh of MSC (MicroSave Consulting) agreed, saying, "We need to focus on other dimensions as well, not just how many people open accounts."

Amrik Heyer of FSD Kenya noted that financial health in Kenya, for example, has gone down significantly since 2016, the first year for which her dataset is available. This has occurred even as usage of digital financial services (DFS) has gone up in the country.

Anup Singh warned that traditional financial literacy classes do not boost financial health and that failed transactions are reducing confidence in DFS. Meanwhile, the difference between men and women in terms of DFS usage is 28 percentage points. Although mobile phone access is highly correlated with financial inclusion, the strongest factor correlating with financial health is "social capital."

Lydia Baffour Awuah of Opportunity International argued for the need to combine savings, insurance and loans with training as well as support in building social capital. In one example she cited of social capital leading to improved financial health, women worked together to buy maize in bulk from a neighboring town, where it was cheaper. (Without working together, any cost savings was outweighed by the cost of travel.) In another effort to boost financial health - specifically to address account dormancy - Opportunity International started a program targeting women in India with savings reminders. In nine months, 2,000 women reactivated dormant accounts and began saving money regularly.

Ms Heyer agreed that social capital is important. Her data indicate that people participating in savings groups known as *chamas* are twice as likely to report being financially healthy than their peers. Jaspreet Singh also argued that savings is vitally important to getting beyond financial inclusion to financial health.

Anup Singh described the success that financial services providers have had in working with refugees in Tanzania. One program combined in-person and digital training on how to perform financial services via phones, agents and tablets. As part of the training, participants took home a tablet to practice with their families. Regarding training methodologies, Anup Singh cited the experimentation with "play money" as helping boost users' understanding and confidence.

Chamroeun Scaling Up to Fund SMEs Supplying Piped Water in Cambodia

Yannick Milev of Cambodia's Chamroeun Microfinance described his institution's ongoing expansion from microlending into providing loans as large as USD 250,000 to small and medium-sized enterprises that supply piped water to households in Cambodia. In rural parts of the country, the government issues monopolies to private water providers to serve given areas. Around 400 companies are licensed to participate in these monopolies.

In designing the loan product, Chamroeun employed a technical assistance grant of USD 20,000 from the Dutch NGO Aqua for All. The Dutch cooperative Oikocredit is considering investing USD 1 million in the effort, with approximately USD 200,000 from Aqua for All available if needed to cover the first 75 percent of loans that exceed 90 days in arrears. The project is planned as a pilot with a volume USD 2 million over two years and primary loans of USD 50,000 to USD 250,000. Borrowers also can access follow-on loans of 10 percent of the original loan - with a cap of USD 10,000 - to be deployed within hours to address accidental breakage of pipes, which is common during road construction.

Potential future add-ons include funding for water testing equipment or for households to pay the fee (which starts at USD 80) to connect to the shared pipe.

Chamroeun has ongoing experience funding household water filters, for which customers can borrow as an add-on to business loans. Eighty percent of borrowers choose to do so, and Chamroeun has USD 1.5 million in water-filter loans outstanding to 3,200 clients.

Overall, the institution has the equivalent of USD 40 million in total assets, including USD 34 million in outstanding loans. Its 2021 profit totaled USD 200,000.

Nurturing Young Entrepreneurs with Revenue-based Repayments, Accounting Apps, Bank Guarantees

Daniel Buchbinder of Guatemala-based Alterna described his NGO's fee-based support for young entrepreneurs. Upon Alterna's founding in 2010, its goal was to help its clients' businesses develop into more stable operations that could qualify for third-party funding. The NGO had served 2,000 firms by 2015, but funders were not investing in many of Alterna's clients. Hence the NGO launched Catalyzer, a fund that lends small enterprises USD 10,000 to USD 50,000 on a collateral-free basis. Terms range up to five years, and repayments start at 3 percent of revenue and range up to 7 percent. Since its launch in 2018, Catalyzer has disbursed USD 1 million to 71 entrepreneurs, supporting 300 jobs. To participate, businesses must demonstrate at least one dimension of impact per the IRIS+ System. Alterna has now reached a total of 3,500 entrepreneurs and is looking to spin off Catalyzer as a self-sustaining social business.

Francois-Xavier Tokpanou of Blupass noted that many businesses in Africa need help accessing professional services and developing their record-keeping practices. Blupass works with 500 clients in Côte d'Ivoire to document their finances to make funders more comfortable lending to them. The firm recently expanded to Senegal.

Yves Speeckaert of EU-led Team Europe agreed with Mr Tokpanou, stating that African businesses often need long periods of coaching to grow. To become investment ready, their founders often need to develop their leadership skills, learn to translate ideas into numbers and have support on fundraising strategies. To address lenders' hesitance to invest in these young firms, the European Fund for Sustainable Development guarantees loans to micro-, small and medium-sized enterprises in the European "neighborhood" and across Africa.

Increasing Financial Access for Women with Better Data, Mentoring, Staff Training, "Gender-smart" Audits

Silke Mufflemann of Frankfurt School of Finance and Management described the common differences between women-owned micro-, small and medium-sized enterprises (MSMEs) and those owned by men during a session at European Microfinance Week in November. On average, she said, women owners are more cautious regarding business decisions and want more information before accepting a loan. In lower-income countries, women often have had less access to education and are less confident in their financial and business management skills. They also tend to have more limited social and business networks from which to draw information and other resources. For all these reasons, Ms Mufflemann argues, it is key that financial services providers (FSPs) connect women with non-financial support services.

Bettina Wittlinger, also from the Frankfurt School, discussed how to determine whether an FSP is "gender-smart." Among the factors is product development. Do the FSP's products respond to women's needs? Women constitute a big group; should the FSP offer several products to serve various segments of the group? Does the FSP have staff buy-in to prioritize serving women? Is there a person to act as the primary champion, pushing gender considerations over time and across different elements of the business?

Perhaps the FSP needs a team within the institution that specifically serves women. Has it trained staff in what needs women often have that are different than men's needs? Does the FSP collect data by sex and longevity of the customer relationship? Since women often repay loans more reliably than men and switch FSPs less often, Ms Wittlinger argues that it is profitable for FSPs to measure these data.

Caroline Lentz of the European Microfinance Network discussed Microstart, an FSP in Belgium that performed an audit to see how gender-smart it was. In particular, leadership wanted to focus on how staff treated women, including by countering implicit bias. With the benefit of the audit and Microstart peer visits to other FSPs, the institution developed a data-tracking system that it is using to improve its service to women.

Katarzyna Hanula-Bobbit from the 130-member Microfinance Centre discussed the work of the Bulgarian FSP Siscredit, which provides mentoring to women business-owners. She noted that women in Bulgaria are relatively open to starting businesses because the government supplies childcare and other benefits regardless of whether citizens have salaried jobs. In general, she finds, women's enterprises tend to be smaller in scale and less capital-intensive than men's firms. Thus they may have less potential to get very large.

Willemien Libois, another representative of Frankfurt School, described what happened when the Kenyan government decreed that 30 percent of its procurement would be from women-owned enterprises. This pushed FSPs to serve women with tailored products, contributing to women strengthening their businesses and securing lucrative government contracts.

In closing, Ms Wittlinger described the Social Inclusive Finance Technical Assistance program, which is managed by the European Investment Bank and offers European social enterprises technical assistance from the European Microfinance Network, Frankfurt School and the Microfinance Centre. This assistance can include funding for site visits and impact assessments, for example.

During the audience participation portion of the session, attendees mentioned various concrete ways FSPs can ease women's access to finance, such as by adjusting branch hours, lowering collateral requirements and making it clear that mothers may bring children to FSP appointments.

Saluting MFI Staff, Promoting Flexible Products, "Keeping the Client at the Heart" as European Microfinance Week Closes

A panel of microfinance luminaries shared their recent moments of pride and disappointment at the closing plenary of European Microfinance Week. Yannick Milev of the Cambodian microfinance institution Chamroeun expressed his admiration for the staff members of his institution for continuing to work through the COVID-19 pandemic at significant risk to their own and their families' health because "stopping operations completely would have had a terrible effect on us and on our clients." Mr Milev added that Chamroeun issued many loans during the early days of the pandemic to help clients diversify their businesses in response to COVID-19. Regarding disappointments, Mr Milev cited the usage of financial inclusion by some politicians as a political tool or scare tactic.

Sophie Sirtaine of CGAP (Consultative Group to Assist the Poorest) bemoaned the "illusive progress in closing the gender gap" in financial access. Despite data from the latest Global Findex Database indicating a narrowing of the gap from 9 percentage points to 6 points, many of the tallied accounts are dormant. In three years, 215 million women opened financial accounts for the first time, but 250 million women with accounts don't find them worth using. Worse, in sub-Saharan Africa, the gender gap grew from 5 percentage points to 12 points over 10 years.

Looking forward, Marc Labie of Belgium's University of Mons discussed financial health. It is a broad concept and a high bar to achieve - one that has not been reached by many people even in high-income countries. Dr Labie argued that banks and cooperatives tend to be conservative, so donors should invest in innovation via NGOs. To reduce risks, he proposes better corporate governance - an area that should be harnessed to *prevent* problems rather than being sidelined until a problem arises. Similarly, regulation has improved in many regions, but supervision has not kept up. The sector needs more, better trained supervisory staff.

As for opportunities, Ms Sirtaine argued for working simultaneously on relatively concrete goals such as improving telecommunications infrastructure while not shying away from more elusive goals such as reaching youth, forcibly displaced persons and other underserved populations.

Dr Labie argued for more usage of "standardized flexible products" that move away from social pressure to repay loans and toward positive incentives. For example, a product can offer a refund of a portion of the interest paid if every payment is made on time. SafeSave of Bangladesh (now a part of BRAC) developed a product whereby the borrower could repay on her own schedule as long as she maintained a savings balance of at least one third of her loan balance.

Ms Sirtaine argued for building resilience to help people avoid resorting to regressive solutions to shocks. Even a basic account can help, for example, to receive money from a family member during an emergency. The sector needs to "go beyond access and usage to empower poor people to embrace better futures," she said, including through continued efforts to protect consumers. Meanwhile, some very poor people remain more in need of social services than financial services.

Laura Hemrika of Credit Suisse, who serves as chair of the European Microfinance Platform, closed the conference, which was attended by 550 people - nearly half remotely. She cited the maturity of the financial inclusion sector, echoing Dr Labie, and claimed the sector is clear now on the need to focus on serving women and addressing climate change. This clarity allows more attention to go to *how* to do these things. The answers, she proclaimed, include leveraging collaboration, transparency and "keeping the client at the heart."

The European Microfinance Platform (e-MFP), the host of European Microfinance Week, has over 130 members from all geographic regions and specialisations. As the leading network of organisations and individuals active in the financial inclusion sector in developing countries, it fosters activities that increase global access to affordable, quality, sustainable and inclusive financial services for the un(der)banked by driving knowledge-sharing, partnership development and innovation.

This is a free, abbreviated preview of a monthly report available by paid subscription at MicroCapital.org.

PAPER WRAP-UPS

Digital Finance Campaign Replication Guide

Published by USAID, September 2022, 10 pages, available at https://www.usaid.gov/digital-development/digital-finance-campaign-replication-guide

This paper describes a digital finance education campaign called "Hey Sister! Show Me the Mobile Money," which facilitates low-income women's access to digital financial services by addressing user ability, affordability, availability and appetite. Hey, Sister! launched in Ghana, Malawi and Uganda, covering topics such as online privacy, scam prevention, mobile money, budgeting, insurance, savings and loans. Women accessed the lessons via interactive voice response (telephone), radio, websites and in-person discussion groups. Among the outcomes were greater confidence in using mobile phones for financial transactions and a greater role in household decision-making. Subsequently, the materials were translated into 17 languages and disseminated to partners elsewhere in sub-Saharan Africa as well as in Latin America. These organizations customized the materials, such as by changing the jobs, currencies and…*

Driving Financial Resilience Through Formal Savings Among the Low-income Population

By Laura Courbois, Ben Fowler, Liz McGuinness and Larissa Schneider; published by World Savings and Retail Banking Institute; November 2022; 14 pages; available at https://www.wsbi-esbg.org/driving-financial-resilience-through-formal-savings-among-the-low-income-population/

This paper explores the extent to which saving through the Scale2Save program allowed customers in five African countries to increase their financial resilience. Among the participants, 40 percent prioritized saving for unexpected expenses, 36 percent for a specific household-related goal and 20 percent for business purposes. The rate of saving for business was lower among women and youth, while female customers saved more for household-related goals.

Youth saved much more frequently for unexpected expenses than middle-aged and older clients. In general, savers were able to accumulate more savings when offered incentives such as tiered interest rates and milestone benefits.

The primary challenges were: (1) for financial emergencies, the saved funds were often "inadequate to the loss;" (2) clients saving for a particular goal often are reluctant to use that money for an emergency even though doing so may be the best choice; and (3) some customers noted…*

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