

## MICROCAPITAL BRIEFS | TOP STORIES

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#### SentBe Raises Equity for Remittance Service Spanning Asia, Australia, North America

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#### Quona Capital Closes Fund III with \$332m for Fintech


Quona Capital, an investor in financial inclusion with offices in 10 countries, recently announced the close of its Fund III. This latest fundraising round engaged most of Fund III's ongoing investors and 20 new ones. As a result, the fund has reached USD 332 million in commitments, and the firm has a total USD 745 million in commitments. Quona plans to deploy Fund III to 25 to 30 firms, particularly in the business-to-business space, where Quona co-founder Monica Brand Engel believes the firm's investees are "radically improving access and quality of financial services." Founded in 2015, Quona is active in Africa, Asia and Latin America. November 15, 2022

#### Gojo Raises \$48m in Equity, Eyeing Digitalization in Asia, Expansion to Africa

Gojo and Company, an investor in financial inclusion in Asia, recently raised USD 48 million in a Series E equity round led by three of its ongoing investors, which were joined by 18 new investment firms and several individual investors. The plan for the fresh cash includes "strengthening the financial foundations of group companies, further[ing] growth after the recovery from COVID-19 impact, and promoting the digitalization of group companies, as well as possible expansion to new markets in Asia and Africa." The group companies comprise five in India and one each in Cambodia, Myanmar, Sri Lanka and Tajikistan. Together, these financial services providers have 1.4 million clients. Gojo was established in 2014 and manages assets valued at USD 703 million. November 11, 2022

#### Sa-Dhan Member MFIs to Serve Customers in India via Feature Phones

Sa-Dhan, a network of 150 microfinance institutions (MFIs) in India, recently partnered with India's NextGen Telesolutions to deliver digital financial services to people who have a mobile phone, but not a smartphone. Jiji Mammen, the CEO of Sa-Dhan, reportedly said, "Digitisation in collections in the microfinance sector has been a great challenge as most of the MFI clients do not possess smart phones." Observers hope enabling Sa-Dhan's members to give more people access to mobile money will reduce MFIs' costs while expanding outreach in smaller cities and rural areas. In addition to enabling mobile payments, NextGen Telesolutions' services include "mobile couponing" and systems allowing retailers to accept card payments. November 7, 2022

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## NEWS FROM AFRICA

### Goodwell Launches uMunthu II Fund for SMEs in Africa

Netherlands-based Goodwell Investments recently launched the uMunthu II fund with USD 52 million raised and a goal for it to reach three times that volume. The fund will target about 35 small and medium-sized businesses reaching underserved consumers in Africa, including about one third financial services providers, one quarter food-related businesses and the remainder in transportation, health, education and energy. Goodwell Managing Partner Els Boerhof cited the firm's "mission-driven investment philosophy [that] delivers both financial and social returns by taking an extremely local approach." Nigeria's Alitheia Capital will co-manage uMunthu II. Goodwell, which is active in Africa and India, reports that the fund's predecessors are generating "double-digit internal rates of return, including 10 exits." November 30, 2022

### Appzone Spins Off Banking-as-a-service System Qore

Nigeria-based Appzone recently spun off Qore, a core banking system for financial services providers (FSPs) that is focused on digital financial services. Qore has 500 customer FSPs in eight countries that use the system to give their clients access to a range of payment providers, agent banking, USSD transactions, payment cards and merchant services. During the last year, Qore facilitated USD 12 billion in transactions, including USD 1.7 billion in loan disbursements and USD 200 million in savings deposits. Appzone will continue to operate its blockchain network, which enables payments among FSPs. November 30, 2022

### Y9 Lending for Smartphones in Tanzania

Y9, which is based in the US and has a banking unit regulated by the Central Bank of Tanzania, recently began offering loans to Tanzanians to buy smartphones. Customers may choose from four phone models, the cheapest of which costs the equivalent of USD 13 upfront plus USD 19 per month. The payments include insurance for the phone as well as benefits such as access to e-books. The phones can be disabled in cases of delayed payment. An estimated 80 percent of Tanzanians do not own a smartphone. November 30, 2022

### Babban Gona Borrows \$5m from Huruma for Ag in Nigeria

Spain's Gawa Capital, manager of the public-private Huruma Fund, recently disbursed the fund's second investment in Africa, lending the equivalent of USD 5.2 million to Babban Gona, a Nigerian firm that supports 81,000 farmers with financing, inputs, training and sales services. Babban Gona customers farm maize and other crops in six states, and the firm is planning to expand to serve 15 states in Nigeria as well as other countries. The goal of Huruma is to use debt and equity instruments to improve financial access for small-scale farmers in Africa, Asia, Latin America and the Caribbean. Huruma is led by Compañía Española de Financiación del Desarrollo (COFIDES), a development finance institution backed by the government of Spain. The fund has a volume of USD 126 million, of which three quarters is from private investors. November 28, 2022

### Standard Life Borrows \$3m for Schools, Other MSMEs in Nigeria

Standard Life Organization, a nonprofit microlender in Nigeria, recently agreed to borrow USD 3 million for three years from Oikocredit, a Dutch cooperative. Standard Life provides health services and skills training as well as lending to micro-, small and medium-sized enterprises, including many schools. The organization's CEO, Oyegue Osazee, said the funding "will help our current and new clients to grow their businesses. It will also boost our work with schools that helps provide the necessary structures, facilities, materials and working capital to ensure quality low-cost child education." Standard Life was founded in 2010 and since has served 600,000 customers. Based in Benin City, it has 89 branches in 15 Nigerian states. Founded in 1975, Oikocredit invests debt and equity in financial inclusion, agriculture and renewable energy in Africa, Asia and Latin America, seeking "to improve the quality of life of low-income people or communities in a sustainable way." The cooperative reports investments valued at the equivalent USD 1.0 billion, deployed via 500 partners. November 14, 2022

### Payhippo of Nigeria Buys Maritime MFB, Gains Deposit License

Payhippo, a financial technology lender to small and medium-sized enterprises (SMEs) in Nigeria, recently agreed to pay an undisclosed sum to acquire Maritime Microfinance Bank. Maritime was founded in 2014 and provides in-person loans and savings services to enterprises in Nigeria that have up to 500 employees, mainly in the shipping and fishing industries. Payhippo's services are available via web browser as well as apps for Apple and Android mobile devices. Its acquisition of Maritime, which is pending regulatory approval, would allow Payhippo to offer deposit services to the 2,500 SMEs on its platform. It also would give the firm access to the Nigeria Inter-Bank Settlement System, which links all licensed banks in the country. Payhippo reports one-year revenue of USD 4 million, having issued 25,000 loans totaling the equivalent of USD 34 million since its launch in 2019. November 10, 2022

### CRDB Burundi Borrows \$5m from IFC for Ag Lending

The Burundian affiliate of Tanzania's CRDB Bank recently borrowed USD 5 million from the World Bank Group's International Finance Corporation (IFC) for on-lending primarily to smaller agribusinesses in Burundi. IFC has agreed to support the loan with technical assistance on product design. CRDB Bank Burundi Managing Director Fredrick Siwale said, "IFC's financing will help us enhance the availability of long-term finance for households and MSMEs [micro-, small and medium-sized enterprises], boosting financial inclusion." CRDB Bank Burundi reports total assets equivalent to USD 334 million. CRDB Bank plc was established in 1996 as the Cooperative Rural Development Bank. It has since evolved into a publicly traded entity with commercial banking subsidiaries in Burundi and Tanzania that serve 3 million individuals as well as companies of all sizes via 268 branches, 550 automated teller machines and online. The third member of the group is CRDB Insurance. The group reports total assets of USD 4.0 billion; 12-month comprehensive income of USD 49 million; customer deposits of USD 2.8 billion; and loans, advances and overdrafts of USD 2.4 billion. November 9, 2022

*This selection of news on Africa appears compliments of:*



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## SPECIAL FEATURE

### Why Should the Microfinance Industry Choose AFISAR® as Its SDG Rating Tool?



In this feature, Dr Andriy Fetsun (pictured), Founder and CEO of Agents for Impact GmbH (AFI), talks about AFI's model for evaluating organizations' progress toward the Sustainable Development Goals. With the measurability and comparability of progress toward these goals becoming increasingly important, he explains current trends in impact investing and offers insights into AFI's in-house rating system.

*What are the SDGs? Why are they important for investors and investment recipients?*

The Sustainable Development Goals, or SDGs for short, are the 17 goals that the 190 member countries of the UN adopted in 2015 with the aim of addressing inequality, injustice and climate change while eradicating extreme poverty. The goals inspire work toward a sustainable and equitable world for all. Therefore, they also are called the "Global Goals" and serve as a common language on sustainable development.

It is important not just to give lip service to the SDGs, but rather the goals must be applied, implemented and achieved at the local level in every country. Forty percent of the world's leading companies already refer to SDGs as part of their business strategy, which is great news for investors looking to profit from companies that are aligned with the SDGs. Indeed, the estimated USD 12 trillion per year that would be needed to achieve the SDGs by 2030 is a huge opportunity to invest, especially in food and agriculture; cities and urban mobility; energy; and health.

*What is the significance of the SDG rating at AFI?*

When I founded AFI in 2018, it was clear to me that we needed to be unique! Not just in terms of our name but also in the work that we do. To be a key player in impact investing, we need to ensure that our products bring real and measurable impact and that the organisations we recommend to our investors truly do align - or are working to align - with the SDGs.

That is why, right from the firm's inception in 2018, we planned to develop a rating tool that could analyse and evaluate an organisation's alignment and performance vis-a-vis the SDGs. To perfect this tool, we not only analysed the 17 SDGs regarding how they relate to the microfinance sector, but we also analyzed over 1,000 quantitative and qualitative indicators to select relevant and appropriate indicators. Through that process, it became clear to us that our rating tool would need to be seen as a sort of credit rating for SDGs. Hence, we worked with an ex-Moody's expert to ensure this.

Establishing good benchmarks was another key part of our process. For example, in considering SDG 1 - No Poverty, one might start with the global absolute poverty line of USD 1.90 per day. However, this is an oversimplification because the poverty line is below this threshold in several countries. In order to address this type of issue, we built our SDG rating system to account for such geographical differences using a benchmark analysis. After this long - but extremely worthwhile - process, we came up with the Agents for Impact Sustainability Alignment Rating, or AFISAR®, toward the end of 2019, and we are absolutely chuffed about the end result!

*What other products do you have in which the SDGs play a role?*

The SDGs and AFISAR® are at the heart of Agents for Impact, but our work also has two other pillars:

- **RISK**, which addresses sustainability or ESG risk: in this arena, we have been supporting our client Hansa Invest, for example, since 2019 with plausibility checks of ESG ratings from well-known providers such as MSCI ESG and ISS ESG; and
- **RESEARCH** on debt investment: here we collaborate with a very well-known name in the impact space, Invest in Visions GmbH (IIV), whose Managing Director is Edda Schröder. In total, we have generated transactions worth more than USD 217 million in 13 countries for IIV. For every MFI transaction we propose to IIV, we first conduct an independent SDG check using our AFISAR® tool to ensure that the potential investee meets our client's eligibility criteria.

*Why should an institution choose your rating tool over others?*

I think what sets AFI apart from other rating providers in the sustainable finance field is that, for us, our partners are at the centre of the entire rating process. We were among the pioneers in recognizing the need to measure progress toward SDGs and creating a robust framework to do so. We stay one step ahead when it comes to assessing the alignment of institutions' goals, products and governance structures with the SDGs because we are constantly improving AFISAR® to incorporate new regulations and emerging approaches to impact investment and valuation.

Another one of our greatest strengths is that our rating experts are located in many of the countries in which we operate, giving the assessment process a unique perspective, rooted in local context.

The rating team also seeks documentation that adds qualitative value to the process. We see the tool not only as an end to assess our partner's SDG alignment, but also as an opportunity to propose new processes that can lead the institution to long-term sustainability.

*What is in store for AFISAR® next?*

We are working on digitizing the tool and expanding its applicability to financial institutions and organisations outside of the microfinance sector. We would like AFISAR® to be helpful to any company that is truly looking to align itself with the SDGs. I have been seeing many organisations stating that they are in alignment with SDGs without making a meaningful contribution to them. The World Business Council for Sustainable Development has found that 79 percent of its member companies acknowledge the Global Goals in some way, shape or form; but only 6 percent actually have aligned their business and/or sustainability strategy to the 17 goals and their 169 targets.

We must completely avoid this kind of "SDG-washing." There is a big gap between reporting and actions, and I believe our rating team's work using the AFISAR® tool can and will help weed out SDG-washing practices within rated organisations.

To take on this challenge, my rating team offers the following recommendations. As the saying goes, "All good things come in threes:"

- Start with an understanding of the underlying SDGs and engage the partner in intensive dialogue;
- Measure results, not just activities; align your activities to specific SDG targets; and don't cherry-pick SDGs to report on; and finally
- Set goals and action plans for improvement, and be prepared to change your business model and strategies to allow you to meet your goals!

Our rating team has gained immense experience in the past four years, rating MFIs across the globe. Conducting an SDG rating on every potential investment opportunity that we bring to our clients has set the stage for us to guide MFIs on how to successfully implement SDGs, thereby making them more impactful, as well as more investable.

*This feature is sponsored by Agents for Impact. *





## SPECIAL FEATURE

*This feature is part of 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.*



### Responsible Digital Financial Services: EMW Opens

At the opening plenary of European Microfinance Week (EMW), where 550 attendees gathered in-person and online, Tidhar Wald of the UN's Better Than Cash Alliance noted that over 1 billion more people worldwide have achieved financial inclusion over the past decade. While this has helped some to boost their livelihoods, many have accessed financial services via digital channels, which carry different risks than in-person services. Data protection is an obvious example, as more client data are being digitized, and fraud is on the rise. Other risks, even though well-known to providers of in-person financial services, require different strategies in the context of digital financial services (DFS), such as over-indebtedness. The strategies needed to steer users away from inappropriate products and give them access to recourse in case of complaints also are quite different for DFS.

Amelia Greenberg of the Social Performance Task Force brought up the question of how to get beyond a user clicking "I Agree" upon using a new service without actually reading about her rights and responsibilities. Examples include translating educational materials into local languages, simplifying the wording used in these documents and making it easy for users to ask any questions they may have.

Eric Duflos of CGAP cited the latest Global Findex Database, into which the World Bank incorporated consumer protection for the first time in 2021. Twenty percent of users worldwide reported being charged an unexpected fee. In India, 35 percent of those surveyed have access to financial services but choose not to use them - half of these due to lack of trust in the services. To address this, Mr Duflos argued that investors should do more to push financial services providers (FSPs) to boost consumer protection.

Demet Canakci of the Toronto Centre noted that peer exchange among regulatory and supervisory authorities can help them act to reduce fraud, increase consumer protection and thus boost users' trust in financial services. She also noted the importance of interoperability and the fact that 86 percent of central banks surveyed are considering instituting digital currencies. Mr Duflos cited an example of a regulator in India that used artificial intelligence to learn about emerging threats. The system analyzed complaints about DFS that social media users were posting online, allowing for regulators to intervene more quickly with the providers in question.

Jeroen Harteveld of FMO cited the contrast between new DFS providers and some FSPs that are reluctant to digitize. Young people in Kenya and Nigeria are launching DFS providers that serve as many people in a year as traditional FSPs might not be able to reach after 10 years of growth. When FMO staff members go to some of these traditional FSPs to discuss digitalization, Mr Harteveld says, "This is not an easy conversion to have!"

### Green Inclusive & Climate Smart Finance Action Group Focuses on Capacity Building

Roughly 75 members and potential members of the European Microfinance Platform's Green Inclusive and Climate Smart Finance Action Group met at EMW to discuss strategies for increasing access to finance that helps people with low incomes to adjust to and reduce climate change. Co-chair Natalia Realpe Carrillo argued, "This is not something extra; this responsible finance!" She went on to describe the Action Group's work to: publish a glossary of terms for those just getting started in green lending; offer seven related training modules; continue an ongoing webinar series, which is also available on-demand; publish a library of related documents; update the Green Index to its third version; and build the seventh dimension of the Universal Standards for Social Performance Management.

Referring to the need to discourage people from continuing in polluting enterprises, Howard Miller of the Center for Financial Inclusion asked, "How can we help people transition to new livelihoods?" When an audience member asked the group what organizations are funding technical assistance to help FSPs looking to offer climate finance, representatives of ADA, GIZ, Grameen Credit Agricole Foundation and Incofin stated that they are doing so.

In discussing ideas for the Action Group to focus on during 2023, the group pondered issues such as how to support FSPs that are just starting to offer climate finance and how to address new risks that green finance may entail, including any relating to client protection.

### Banco FIE of Bolivia Takes \$105k European Microfinance Award for Gender Focus

From a pool of 88 applications, Banco FIE SA has been chosen by the Luxembourg Directorate for Development Cooperation and Humanitarian Affairs to receive the European Microfinance Award, which was themed "Financial Inclusion that Works for Women" for 2022 and included a cash prize equivalent to USD 105,000. The Bolivian bank incorporates a gender-related dimension into its products and services, making them more accessible to women, informed by a large number of customer surveys. Banco FIE's product menu includes life and medical microinsurance, digital financial literacy training, and technical support to enhance women's agricultural productivity. Within the organisation, Banco FIE also has introduced a business management model called "Marca Magenta" to promote inclusive leadership, the empowerment of women and violence prevention.

### RFID Tags Slash Fraud, Costs of Livestock Cover in Rwanda

Radiant Yacu Microinsurance has taken a long journey to develop a viable product to insure livestock in Rwanda. On its own, a government subsidy of 40 percent did not make it easy to insure cattle, pigs and chickens. Under Radiant Yacu's initial model, fraud was rampant, and costs were high, at 10 percent of the value of the animals. Users manipulated the tattoos, anklets and ear tags used to identify insured animals so that they could make fraudulent claims. The product failed.

In 2019, Radiant Yacu rolled out a new product using RFID tags to identify insured animals. The tags, which are the size of a grain of rice and are injected behind an ear of each animal, are resistant to fraud. The success of the product has allowed Radiant Yacu to cut the price to 5.5 percent. Likewise, the firm no longer requires a waiting period before eligibility for a payout. Plus, cattle have become usable as loan collateral, and the requirement that insured animals be vaccinated has contributed to farms becoming more productive.

The success of the product was not immediate, however. It only gained significant traction when Yacu Microinsurance started accepting payments via mobile phones (including feature phones, not only smartphones). Now the firm is having success with the standalone product and by bundling it with savings, health insurance and life insurance.

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## Solar-powered Onions, Storm Meso-insurance, Performance-based Interest Rate Reductions for Climate-smart Lending

In a session at EMW on strengthening agricultural value chains, Daphne van Dam of Cordaid described her organization's work to support onion farmers in Senegal. The farmers were struggling with the cost of fuel for irrigation. Cordaid partnered with local micro-finance and solar providers to supply farmers with solar-powered irrigation systems that they could pay for on a schedule attuned to the harvest.

Magdalena Arbelaez of Incofin described her firm's work enabling insurance for farmers in Nicaragua. Rather than microinsurance, which would have been unworkable for many of the smallholder farmers in the region, the project extended "meso-insurance" to the farmers' micro-finance institution (MFI) to insure portions of its agricultural portfolio. Over five years, the product has grown to cover 18,000 clients. Based on satellite data, it has paid out a total of USD 1 million, covering five losses, including damage caused by three hurricanes.

Incofin also worked in Bolivia's quinoa value chain to help farmers manage declining yields resulting from extreme weather events. The strategies included adopting organic practices and installing sensors to warn farmers about pertinent weather forecasts. In one case, many farmers were saved from losing their seeds when the sensor warned them of an upcoming period of high wind. Other farmers who did not heed the warning suffered significant losses.

Violette Cubier of the Grameen Credit Agricole Foundation described her NGO's partnership with Credit Agricole CB to lend the local-currency equivalent of USD 4.3 million to India's Annapurna Finance. The co-lenders are providing technical assistance to help the microlender deploy training to women borrowers and boost solar energy access and storm-resilient housing. If Annapurna meets mutually agreed-upon targets, it will earn an interest-rate reduction.

## Fintechs vs MFIs: A Debate

At a debate on "high-tech" versus "high-touch" financial services, Dorcas Thorpe of Nigeria's LAPO Microfinance Bank argued that customers in rural areas are more likely to access financial services via high-touch channels such as branches and agents rather than mobile money because they often have lower levels of digital literacy and trust in DFS. Gregoire Lecomte of Symplifi, a UK-based buy-now-pay-later service active in Africa, responded that embedded finance increases access to services because it allows users to perform multiple tasks within an app that they find familiar and trustworthy. Ms Thorpe countered that in-person services are more flexible and thus give an institution access to a wider audience, leaving fewer potential clients behind. She also argued that high-touch models - such as those that include financial education - boost trust, which increases repayment rates.

Fatma Nasujo of Wasoko explained how her platform helps small-scale retailers in six African countries restock online with delivery within a day, thus reducing lost sales from closing the shop to restock in-person. Wasoko also offers embedded finance, allowing store owners to pay for goods after delivery. Ms Nasujo says this boosts the rate at which store owners try new products to offer their customers. She added that her firm's datasets have many advantages, for example in helping wholesalers know where their products are performing less well so they can adjust their marketing in those areas. On the question of trust, Ms Nasujo argued that new players should build on well-known apps such as the M-Pesa mobile money service.

Steven Duchatelle of the French microfinance network Advans argued that digitizing MFIs is difficult because it requires a change in staff culture. It is also high-risk, in that investing a large amount of money in technology can backfire if the technology performs poorly. That said, he believes high-tech and high-touch is the way of the future for microfinance.

## Financial Inclusion for Women: Engaging All Levels of the MFI

In a discussion on improving financial services for women, a group of microfinance luminaries focussed on the need for collecting *and using* good data. Not only must FSPs disaggregate data by gender, but they must segment it further, as not all women have the same needs. Mary Ellen Iskenderian of Women's World Banking cited the example of regulators in Chile finding data pointing to a need for housing loans, which the entity then encouraged FSPs to develop.

Carine Roenen of Fonkoze Foundation spoke to the importance of rich data - not just numbers but qualitative data as well. Fonkoze has had success encouraging line staff to report important client experiences to supervisors. For example, when thieves started targeting clients near branches, Fonkoze shifted more service provision to occur via agents. Katharine Pulvermacher of the Microinsurance Network cited an insurer in Ecuador that found it had so many clients needing to escape domestic violence that it opened an office staffed only by women that offers help with finding housing and work.

The panelists agreed that safety is a prerequisite to other forms of progress that can accompany financial inclusion. These include increases in self-esteem, household decision-making, ability to plan for the future, and even voting and running for political office.

Another recurring theme at the plenary was the strength of the business case for serving women. Ms Pulvermacher cited an estimate that insuring women could generate USD 2 trillion in annual premiums by 2029. To engage more FSPs in serving women, Evaline Angole of Grameen Foundation Ghana cited the formation and digitization of savings groups of women who have fled South Sudan as a way to show local FSPs they are creditworthy. To reach more rural women in a cost-effective manner, Ms Angole suggested engaging local NGOs. Ms Pulvermacher suggested FSPs consider expanding the hours that branches are open, as women often suffer "time poverty." Some FSPs are offering child care at branches to make it easier for women to attend appointments. More simply, explicitly informing women that their children are welcome at branches can be enough to make them feel empowered to use financial services.

Ms Roenen noted that FSPs' own staff members sometimes present barriers to engaging women. In one instance, a male supervisor warned a job applicant that getting pregnant would keep her from working as a loan officer because of the frequent motorcycle trips required.

Women's World Banking was working with an FSP in Pakistan that was rolling out a digital product meant to serve men and women equally, but uptake was low among women. Further investigation found that women were uncomfortable giving their phone numbers to male agents to register for accounts. To address this, the FSP partnered with Unilever, which had a network of female sales agents in place. Within months of these agents offering the FSP's digital finance product, the portion of women using the product grew from 12 percent to 42 percent.

Making institutional change is difficult. Ms Roenen cited the need to work on many levels at once: repeatedly talking at meetings about engaging women, hiring more women at all levels of the FSP and changing policies as needed. Barbara Magnoni of EA Consultants pointed out that there will always be those who resist change, so it is not necessary to try to win over everyone, but just enough people to generate momentum. For some, it is easier to support equity in general - including in terms of race and disability, for example - rather than only gender equity. Ms Magnoni emphasized that pushing policy down from above does not work. Instead one must build inclusivity at all levels - among line staff, supervisors, middle managers, staff leadership and board members.

*The European Microfinance Platform (e-MFP), the host of EMW, 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.* 

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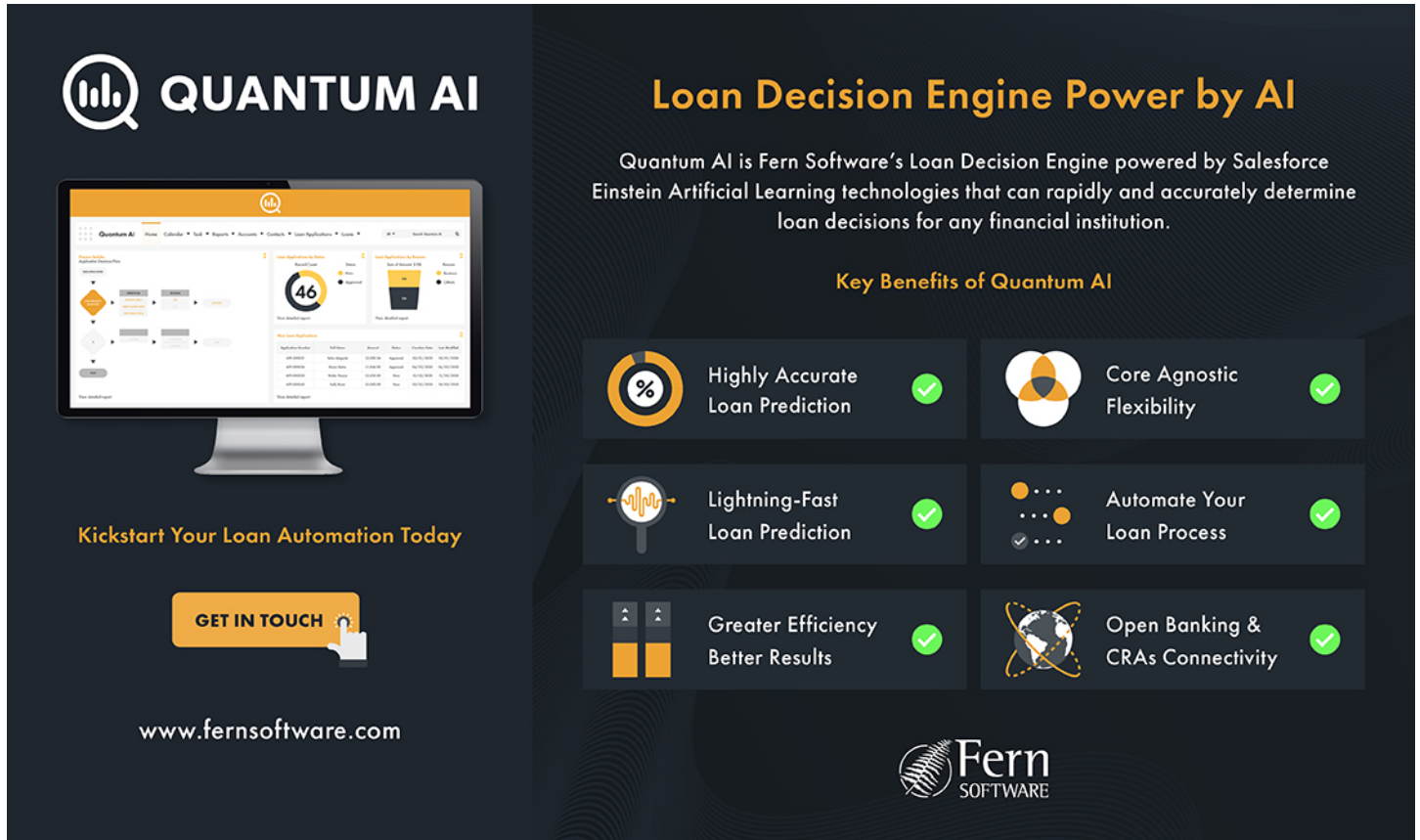
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## EAR TO THE GROUND

### Ouch - I Said It: Reducing Gender Inequity by Looking at the Norms That Define the Inequity


Earlier this month, I had the pleasure of participating in European Microfinance Week 2022 in Luxembourg. It was a joy to see colleagues in person and an even greater joy to see the significant effort the organizers made to address the topic of gender in a meaningful way, delving into barriers to women's leadership as well as gender equity in access to and usage of digital and traditional financial services. I was offered the honor of a spot on a star-studded panel of women (see also page 6 of this newspaper) with deep commitment and experience on this subject as well as a seat on the High Jury selecting the award recipient for this year's European Microfinance Award: Financial Inclusion that Works for Women (see also page 5). In both opportunities, I was able to explore a dynamic that my team and I looked at this summer in collaboration with Enabling Capital, an investment fund specializing in inclusive finance.

Over the years, we have come to see microfinance as empowering at best - and neutral at minimum - when it comes to supporting women. Those of us who have spent many years meeting with clients can attest that in many cases, financial access has been supportive of autonomy for women. About seven years ago, I wrote in this column about a woman I met in a small town in Ecuador who was locked into her house by her husband every day when he left for work. She sold food through a little locked window and saved up some money. A neighbor asked her to slip a house key out through the window one time while he slept and made a copy. Once she was able to unlock the door, she "deposited" her small savings with a relative outside of town. Eventually, she used this money to buy more inventory and open a shop and finally, she obtained a micro-finance loan. All of this allowed her enough confidence and financial freedom to give her husband an ultimatum: Set me free, or I will leave you. He acquiesced, and they had a much more equal relationship - free

of lock and key - after that. At the time, however, I overlooked an important detail of the story: had this woman needed her husband's signature to get her loan, she would never have gotten it.

This past summer, we interviewed representatives of 12 MFIs in four regions of the world. At least 10 required a husband's signature. At Bolivia's Banco FIE, the winner of this year's European Microfinance Award, women no longer require a spousal signature to obtain a loan. This may seem like a small "modification," but given estimates from the Bolivian Center for Information and Development of Women (CIDEM) that 70 percent of women in the country suffer some form of abuse, getting rid of that signature requirement is no minor procedural detail, but a critical tool for women's agency.

Our analysis suggests that in many countries there is no legal rationale for this requirement, but rather it is related to two things. First, it helps MFIs feel a bit more confident about risk, since both spouses are responsible for budgeting to repay the loan. Second, since many individual loan methodologies consider "household" cash flow when they determine loan size, it makes sense to have a husband sign for a loan to which his income is indirectly tied. While this all may be reasonable from a business perspective, I am concerned that we are defining *household* too literally. Perhaps just because a man and woman live under the same roof or have children together, they are not joint decision-makers, but merely living out a destiny that has been imposed on them by a series of economic, social and institutional norms. It is our responsibility as an industry not to reinforce these norms, but to push against them to make our communities more equitable.

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