Ant Financial Buys 45% Stake in Pakistan’s Telenor Microfinance for $184m
Request a sample of the subscriber edition to read about this MicroCapital Deal of the Month.

Tunisia’s Enda Tamweel Raises $30m in Equity
Enda Tamweel, a microlender primarily held by Tunisian NGO Enda Inter-Arabe, recently raised equity funding equivalent to USD 30 million in unspecified portions from six new shareholders. The investors are the government-backed Belgian Investment Company for Developing Countries (BIO); the French government’s Société de Promotion et de Participation pour La Coopération Economique (PROPARCO); the Luxembourg-based Sanad Fund for MSME (Micro-, Small and Medium-sized Enterprise); the French NGO Solidarité Internationale pour le Développement et l’Investissement; Netherlands-based Triodos Investment Management; and the US-based Women’s World Banking Capital Partners. Launched in 1995, Enda Tamweel “focus[es] on women, youth and rural populations…through the promotion of entrepreneurship…”. The institution has a portfolio of USD 210 million outstanding to 340,000 microentrepreneurs served by 89 fixed and mobile branches. Enda Inter-Arabe is a member of Senegal-based NGO Enda Third-World, which provides a range of development services via partners in Africa, Eurasia and Latin America. April 26, 2018

Agribank of Zimbabwe to Accept Land Leases as Collateral
The government-controlled Agricultural Bank of Zimbabwe (Agribank) recently announced that it will begin lending to farmers using 99-year land leases as collateral. This follows an update to local regulations that makes the leases transferable, for example in cases of loan default. The move gives leaseholders access to a pool of USD 105 million that Agribank has budgeted for lending to farmers for the 2018-2019 season. Agribank is also developing partnerships to issue wholesale loans to intermediaries such as the Tobacco Industry and Marketing Board, which is planning to borrow USD 28 million to on-lend to 18,000 farmers to buy “seed and fertilizer, motorbikes and technical services.” These loans, which would not require collateral, would be directed to farmers that each work about one hectare of land. Agribank has 40 branches in the country and offers lending and deposit services. It also acts as an insurance agent for the local unit of Old Mutual plc, a UK-based insurer with operations on five continents. April 12, 2018

IDB Loans $45m to LAAD for Value Chains, Impact Measurement
The Latin American Agribusiness Development Corporation (LAAD), a US-based funder of small and medium-sized enterprises (SMEs) in Latin America and the Caribbean, recently secured a seven-year loan of USD 45 million from IDB Invest, the private-sector member of the US-based Inter-American Development Bank (IDB) Group. LAAD will use the funds to invest in SMEs active in… (continued in the subscriber edition)
MICROCAPITAL BRIEFS

Stanchart Going Mobile-only in Cote d'Ivoire
Standard Chartered, a UK-based bank with operations on five continents, recently began offering mobile banking in Cote d'Ivoire although it has no bank branches there. Users of the bank’s app can open current accounts, earn annual interest of up to 5 percent on savings, and send money locally and internationally. Standard Chartered’s Regional Head of Corporate Affairs and Brand and Marketing, Olga Arara Kimani, said the bank is not only looking to boost “awareness for our innovative digital offering but also at further enhancing financial literacy across the country…”. Standard Chartered reports 2017 pre-tax profit of USD 3 billion on total assets of USD 185 billion. March 28. 2018

Barclays Bank of Kenya Offers Mobile Banking via Timiza App
Barclays Bank of Kenya recently rolled out Timiza, an app for Android mobile phones that offers mobile banking services to individuals and groups via M-Pesa, a mobile money service of Kenyan internet service provider Safaricom. Timiza offers accident and funeral insurance equivalent to USD 10,000 for a premium of USD 0.42 per month. The app also offers term and target (automatic periodic transfer) savings accounts for terms of 30 days or more, paying annualized interest of 7 percent. The minimum amount for a term deposit account is USD 10. The minimum goal for a target savings account is USD 5, with a minimum periodic deposit amount of USD 0.50. Timiza loans have terms of 30 days, and fees and interest total 6.17 percent. Loan sizes vary from USD 0.50 to USD 10,000. Barclays Bank of Kenya is a member of Barclays Africa Group, which is in the process of changing its name to Absa Group. The group is 15-percent owned by Barclays PLC, a UK-based banking group. March 26. 2018

Outsized Consultant-matching Service Adds Office in South Africa
Outsized, a UK-based firm that matches financial services providers and investors involved in financial inclusion with vetted consultants, recently opened an office in South Africa. Since its launch in 2015, Outsized has developed a database of 1,300 consultancies, supporting 80 projects in areas including due diligence; digital financial services; and product design for micro-, small and medium-sized enterprises. Outsized Managing Director Niclas Thelander tells MicroCapital, “We help clients avoid the sometimes generic advice from big-name firms while expanding beyond the narrow universe of microfinance consultants with sometimes stale expertise in certain areas.” As part of the expansion to South Africa, Outsized is increasing its staffing from eight to 13 people. The firm also has a satellite office in India. March 15. 2018

FMO Loans $10m to VisionFund for Fragile States, Rural Areas
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO), a development bank controlled by the Dutch government, recently agreed to lend USD 10 million from the Massif fund to VisionFund International, an NGO conducting microfinance activities in 32 countries for World Vision, a US-based Christian relief and development organization. VisionFund is to deploy the funding in Africa and Asia with a particular focus on fragile states and rural areas. The loan has a term of five years. Massif Fund Manager Jeroen Harteveld added, “The FMO financing is focused on providing longer-term financial access to these underserved communities thereby supporting poverty alleviation and job creation.” March 12. 2018

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SPECIAL REPORT

This sponsored content was written by Edmund Higenbottam, the Managing Director of Verdant Capital, with collaboration from Praveen Nair of IMAP India. IMAP, with partner firms in 40 countries and a total of more than 500 professionals, is the world’s largest M&A partnership. Verdant Capital is IMAP’s partner for sub-Saharan Africa.

Aadhaar: Lessons for the African Continent?

In 2009, India launched the world’s largest IT project, i.e. the Aadhaar biometric identification program. The program is intended to drive social and financial inclusion, reform public-sector service delivery, improve fiscal management, increase convenience, etc. An Aadhaar number can be viewed as a permanent financial address. Considering that almost the entire Indian population is now enrolled in Aadhaar - the underprivileged as well as the rich - it also can be viewed as a tool for justice and equality.

The program consists of the following:

- A demographic database with a 12-digit number for each person, secured by fingerprint and retina scan authentication;
- Data records with an individual’s name, date of birth, age, gender, physical address, phone number, etc. - some of which require verification, while others are optional;
- The establishment of new payment banks;
- The ability to open a bank account instantly using a mobile phone;
- The launch of a unified payment interface, i.e. one phone app that can perform transactions at all banks;
- The ability to perform transactions using only a fingerprint and an Aadhaar number; and
- A cloud-based platform (i.e. India Stack) for storing documents such as bank statements, employment records, tax filings, etc.

Over 1.1 billion individuals have been enrolled in Aadhaar - over 99 percent of Indians above the age of 18, which is over 17 percent of the world’s population (source: Unique Identification Authority of India). Africa - which is similar in population and GDP to India - does not have a similar system. A critical reason for this, at the risk of sounding flippant, is that Africa is 54 separate countries whereas India is one. Africa does have several mobile banking systems, some of which have been incredibly successful at serving people who were previously unbanked. However, none are linked to a biometric database in the way that bank accounts in India are linked to Aadhaar.

Financial inclusion is often cited as the greatest achievement of Aadhaar. Two key barriers it has addressed are KYC and convenience/accessibility. Previously, the KYC documentation required to open bank accounts and the clumsiness of paper-based transactions dissuaded many Indians from banking. The cash-centric culture in the country was no help in this regard. Banks also faced difficulty in delivering “low-value” financial products in rural areas. With the cost of rural lending as high as 41 percent of the value disbursed, simply opening branches in rural areas was not a viable solution. The switch to e-KYC significantly reduced these costs (source: Livemint).

As of 2012, close to half the Indian population did not have a bank account (source: The Wall Street Journal). As a result of the Aadhaar program, over 270 million people opened bank accounts (source: IMAP India). Over 60 percent of Indian adults are now financially included (source: Financial Inclusion Insights), and the Indian government claims that over 99 percent of both urban and rural households include at least one person who has a bank account.

Similar benefits are visible if we focus on the lower part of the pyramid. The microfinance loan portfolio in India has seen CAGRs in excess of 30 percent for the last seven years (source: Caspian Impact Investment Adviser). As of 2016, India’s microfinance loan portfolio was USD 14.7 billion, almost twice Africa’s USD 8.7 billion (source: “Microfinance Barometer 2017”). The growth of the microfinance sector has led to numerous microfinance institutions growing large enough to tap mainstream capital markets. Since 2011, 72 Indian microfinance institutions have launched IPOs, compared to only 17 on the African continent (source: Caspian Impact Investment Adviser).

While Indians can use their Aadhaar-linked bank accounts to receive public subsidies and unemployment benefits (source: DNA India), few African countries have sophisticated mechanisms for delivering entitlements. Although South Africa is an exception, that country’s recent challenges with the service provider Net1 highlights the hurdles that must be overcome to implement these systems. Direct deposit is another service available in India that could be valuable in Africa.

Biometric systems do exist in the financial services sector in Africa. The Nigerian government, for example, has embarked on a biometric identification initiative, and 20 million Nigerians have been enrolled thus far (source: Planet Biometrics). Biometrics have helped Nigeria discover over 23,000 fraudulent accounts, part of an anti-fraud effort that is estimated to save the Nigerian government over USD 11.5 million every month (source: Faid Biometrics). Several other African countries are also keen to replicate the Aadhaar program. Morocco has arguably shown the most interest, having sent a study delegation led by Interior Minister Noureddine Boutayeb to India in October 2017 (source: The Economic Times).

Implementing such a wide-reaching project in Africa would have its challenges, of course. Aadhaar, for example, has had its share of criticism from privacy advocates. The cost of the project could also be a challenge. India spent USD 180 million on Aadhaar during the 2016-2017 fiscal year (source: UIDAI). Although this is less than USD 0.20 per person captured, the costs would likely be much higher for a single African country, which would not have the economies of scale that come with serving more than one billion people. ❧
SPECIAL REPORT

This feature is part of a sponsored series on European Microfinance Week, which will be held from November 14 through November 16 by the European Microfinance Platform (e-MFP), a 130-member network located in Luxembourg. MicroCapital has been engaged to promote and document the event.

European Microfinance Award

MicroCapital: Each year, the European Microfinance Award covers a different theme. Why technology and why now?

Christoph Pausch: We are at a fascinating time in the evolution of financial inclusion. A whole new range of technology-enabled solutions has the potential to reduce costs, improve efficiencies, facilitate communication and remove artificial borders for people who have been excluded from the formal economy. These solutions include credit, insurance, savings, payments and transfer services. As a strengthening alternative to cash, mobile money can have special benefits for women, rural communities and the very poor. Among the Award applicants, we hope and expect to see a real diversity of financial services providers beyond the traditional MFI, such as mobile network operators and money transfer organisations.

MC: Do these technology-enabled services carry new risks for clients?

CP: The organisers chose Financial Inclusion through Technology to focus not just on the opportunities of this rapidly changing landscape, but the risks to clients as well. Technology, as we have seen in the news recently, can lead to abuses of privacy. This is true in financial inclusion as well. Reducing the human element of the microfinance model can threaten the safeguards that protect clients, exposing them to risks such as increased over-indebtedness, fraud or misuse of data. This is especially true when working with vulnerable people, many of whom have low financial literacy or numeracy. But technology is not going away; you can’t put the toothpaste back in the tube! So the focus should be on responsible finance: client protection, safeguards, and monitoring or regulation where appropriate. Whichever the winner of this year’s Award turns out to be, it’ll be an organisation that has thought carefully about all these issues and put responsibility to the client at the centre of its work.

MC: Client offerings tend to get all the attention. What’s new in the back office?

CP: The evaluation teams will be looking for technology solutions not just on the client-facing side, but on the institutional side, too - for example, ways in which back-office technology can help loan officers and bank agents communicate from remote areas, access data in real time or verify clients’ IDs. This might involve biometric data or tablets to access cloud-based management information systems, directly improving service delivery.

MC: How has this ninth European Microfinance Award evolved since the first?

CP: It’s changed a lot! It’s now annual, after being biennial for the first few years. In addition to the EUR 100,000 for the winner, cash prizes of EUR 10,000 are now presented to the two runners-up as well. And the evolution of the Award themes reflects the sector’s continued move beyond microcredit towards a more holistic perception of financial inclusion. Mainly though, the Award has increased in exposure each year. Previous winners have benefitted from great opportunities for investment and partnership. This is something that we at e-MFP and the other Award organisers try to maximise. The purpose of the Award is not just to reward excellence but also to highlight successful models that can be reproduced elsewhere!

Christoph Pausch serves as Executive Secretary of e-MFP. The European Microfinance Award is jointly organised by the Luxembourg Ministry of Foreign and European Affairs, e-MFP and the Inclusive Finance Network Luxembourg. Applications for the European Microfinance Award are due May 23. To apply, visit http://www.european-microfinance-award.com.
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Tough Love in Honduras: Financial Inclusion as the Result of Gender Equity Rather than the Source

I had the honor of being invited by the Honduran Microfinance Network (REDMICROH) to be the keynote speaker last week at an event called “Financial Education, a Path Toward Gender Equity.” While I was uncomfortable with the title, I thought it could be a good opportunity to discuss this controversial idea and propose alternative paths to equity. I also saw it as a chance to debunk the argument that financial inclusion is valuable solely for its own sake.

The 2017 World Bank Findex data, which came out shortly after my presentation, support this idea. World Bank President Jim Yong Kim declared, “Financial inclusion allows people to save for family needs, borrow to support a business, or build a cushion against an emergency. Having access to financial services is a critical step towards reducing both poverty and inequality.” Although Findex data show people are holding record numbers of accounts worldwide, contrary to Dr Kim’s statement they seem to be less financially resilient. The percentage of women over the age of 15 who said it would be impossible to come up with emergency cash grew from 40 percent in 2014 to 46 percent in 2017. The rate for men also increased - from 34 percent to 38 percent. While savings represent the main source of emergency funds for a third of surveyed participants, 58 percent still resort to taking on extra work or borrowing from family and friends to cope with emergencies.

There is also limited evidence to support Dr Kim’s claim that financial inclusion drives business. Many of the informal businesses around the world still lack the preconditions for success. For women, this is often worse than it is for men. In one study we conducted with IDB/MIF in 2013, we found that women in Colombia start businesses with less savings and less experience. They have 28 percent fewer assets and 30 percent lower sales than men. Another problem is that women often are clustered in sectors that are less profitable, and they compete on price rather than quality. These and other constraints start them off at a disadvantage vis-à-vis men. This leads to conditions like those we found in another study in which businesses run by women MFI clients had roughly 25 percent lower sales, income and profits than those run by men.

So as I reflected on what women need to achieve gender equity with a room full of financial experts in Honduras, I reminded them that financial education providers should not peddle products that women have already spurned just to close a gender gap. Instead, it should offer training that leads to increased profitability and growth. This will, in turn, give women a reason to seek loans and deposit accounts, rather than the other way around. In the past, business training was deemed too costly and complicated. But today’s new technologies, including artificial intelligence that can tailor learning content to places and times that clients need it, can help achieve scale without huge costs. If we really want to achieve gender equity, the time has come to rethink women’s economic activity and support women in developing thriving businesses.

About the Author: Ms Barbara Magnoni is President of EA Consultants, a development-consulting firm based in New York. She has 25 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@eac-global.com, or you may follow her on Twitter at BarbaraatEA.
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PAPER WRAP-UPS

Microfinance for Housing: Building New Foundations in Housing Microfinance

By Sam Mendelson, Katarzyna Pawlak, Ewa Baranowska, Gabriela Erice and Daniel Rozas; published by the European Microfinance Platform; April 2018; 40 pages; available at http://www.emfplatform.org/sites/default/files/resources/2018/04/EuropeanDialogue%20no_12_web_0.pdf

This report presents the status, trends and potential of the housing portion of the microfinance sector, including case studies of the 10 semi-finalists for the 2017 European Microfinance Award. In addition to content specific to the eight past European Microfinance Awards, the authors outline the status of low-income housing globally and discuss why housing microfinance has been slow to develop.

To help service providers address the lack of affordable housing worldwide, they identify the following factors of successful housing programs: (1) commitment to…

Female Smallholders in the Financial Inclusion Agenda

By Emilio Hernandez, Yasmin Bin Humam, Riccardo Ciacci, Niclas Benni and Susan Kaaria; published by CGAP (Consultative Group to Assist the Poor); April 2018; 4 pages; available at http://www.cgap.org/sites/default/files/Brief-Female-Smallholders-in-the-Financial-Inclusion-Agenda-Apr-2018.pdf

The authors of this paper find that female smallholder farmers in Mozambique and Tanzania are less financially included in…

Protecting Savings Groups Reached Through High-Tech Channels: Guidance from the New Client Protection Principles for a Digital Savings Product

By Bonnie Brusky, Bobbi Gray, Christian Loupeda, Megan Gash and Valerie de Briey; February 2018; 42 pages; available at https://uncdf-cdn.azureedge.net/media-manager/84615

Based on a case study of an effort to merge client protection into digital group savings for women in rural Burkina Faso, the authors…

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