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**Fefisol Buys Equity Stake in Kenya’s Musoni for $1m**

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**FMO's FinForward Offers Access to 4wrd’s 145 Fintech Partners**

The FinForward program of the Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO), a development bank controlled by the Dutch government, has enrolled nine African financial institutions seeking to improve their back-office systems or digitize the client-facing operations. The program offers the banks, which operate in 36 countries, access to 4wrd, “a testing environment where the banks and fintechs [financial technology firms] can test and integrate new financial technology solutions in a safe and secure manner.” 4wrd, which is a product of the US-based firm Above & Beyond, serves as a single connection point for financial institutions and mobile-money providers to access the services of 145 fintechs. The deadline to apply to participate in FinForward has been extended from December 15, 2017, to an unspecified date. February 20, 2018

**Fusion of India Raises $12m in Equity from Creation, Oikocredit, Gawa Capital**

Fusion Microfinance, a lender to groups of women in India, recently raised the rupee-equivalent of USD 12.4 million in unspecified portions from US-based Creation Investments, Netherlands-based Oikocredit and Spain-based Gawa Capital Partners. All three investors were already shareholders in Fusion, which plans to use the cash to invest in “the latest technology to bring down overall operational costs” and boost its staffing from 3,000 to 4,000 over the next year. Launched in 2010, Fusion focuses on rural areas in northern and central India. It offers loans of up to USD 780 with terms of up to 2 years. The interest rate is approximately 24.5 percent per year with fees of 1 percent plus the cost of insurance. The microlender has 358 branches and a loan portfolio of USD 218 million. February 12, 2018

**Tanzania Launches Second National Financial Inclusion Plan**

The government of Tanzania recently launched its second five-year National Financial Inclusion Framework with the aim of helping boost the country to middle-income status by 2025. The strategy is to shift focus from access to financial services to the usage of those services, especially by youth and women. The goals include that, by 2022, nationwide usage of formal financial services will grow from 65 percent to 75 percent, and the usage of insurance will increase from 15 percent to 50 percent. The plan also includes increasing financial literacy and promoting savings through rural radio broadcasts and the primary school curriculum. Other strategies include establishing interoperable digital payment systems, a collateral registry and a credit bureau. The implementation is to be facilitated by providing all citizens with national identification cards. January 24, 2018

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GGF Lending $1.9m to Sunrise Sarajevo for Energy Efficiency
Microcredit Foundation Sunrise Sarajevo, which the World Bank founded in Bosnia and Herzegovina in 1996, recently borrowed the equivalent of USD 1.9 million from the Luxembourg-domiciled Green for Growth Fund (GGF) to on-lend to homeowners, farmers, and micro- and small enterprises to fund energy-efficiency measures. GGF will also give Sunrise a donation of unspecified size for capacity development and marketing. Samir Bajrovic, the director of Sunrise said, “We are certain that through this project we will secure better living standards for our clients.” The funding is estimated to be sufficient to cut annual energy use by 5,500 megawatt-hours and annual carbon dioxide emissions by 2,100 tons. Sunrise, which has 44 branches, reports total assets of USD 22 million, a gross loan portfolio of USD 17 million and 15,000 borrowers. February 19, 2018

Leo “Personality” Supports UBA Online Banking via Facebook App
United Bank for Africa (UBA), which serves 22 countries from its headquarters in Nigeria, recently unveiled Leo, “an artificial intelligence personality meant to address any type of banking concerns” via the Facebook Messenger app from US-based technology firm Facebook. UBA customers may use the “chat banking” service to perform actions such as opening accounts, checking account balances, transferring funds, buying mobile airtime, confirming transactions, applying for loans and freezing accounts. Meanwhile, “Leo, being an intelligent personality, will give you feedback instantaneously as you transact your business on the platform,” according to UBA Group Managing Director Kennedy Uzoka. For new customers, the system requires only the lowest level of know-your-customer data, which permits transactions of up to the equivalent of USD 140. UBA Group reports total assets of USD 10 billion. February 16, 2018

MIX, One Acre Fund Catalog Smallholder Finance Products
Two US-based nonprofits, MIX, a data provider also known as the Microfinance Information Exchange, and the One Acre Fund, which seeks to develop “market-based strategies to fight rural poverty,” recently rolled out public access to the Smallholder Finance Product Explorer. This dataset on financial services for small-scale farmers is part of the MIX Market database and so far includes 80 products from 35 financial services providers. The database provides the number of clients accessing each product and is searchable by geographic and other criteria. Mike Warmington, the microfinance partnerships director at One Acre Fund, said, “Financial service providers around the globe are positioned to address financing gaps in their local markets, but they face high resource constraints to develop and deploy financial products for smallholder farmers.” The new service is intended to make it easier for these financial service providers to replicate the successes of their peers. February 13, 2018

MFIs in Bolivia, Vietnam Borrow $12m from Vision MF Fund
Two microfinance institutions (MFIs) - one in Bolivia and one in Vietnam - recently borrowed a total of USD 11.5 million from the Dual Return Vision Microfinance fund, an offering of C-Quadrat Asset Management. The identities of the MFIs and the amount that each borrowed remain confidential. C-Quadrat Asset Management tells MicroCapital that the Bolivian MFI has “exemplary” client-protection practices, including a financial literacy training program. The MFI was founded in the 1980s and is planning to apply for a banking license to expand its product range.

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EAR TO THE GROUND
Finding the Right Touch in India

I just returned from the annual SPTF meeting in Mahabalipuram, India. This year, SPTF joined forces with CGAP, Leapfrog and Dvara (formerly IFMR) to focus not only on social performance, but customer centricity. With over 300 people interested in doing right by customers - and believing that there is a business case for doing so - the event felt like an intellectual home to me. No one argued for profits at the expense of clients or for trying to boost client outcomes at the expense of profits. Instead, we focused on how we could achieve both.

I chatted over lunch with Lorenzo Chan from Pioneer Insurance of the Philippines and Buhle Goslar from South Africa’s JUMO about high-touch vs low-touch models. Lorenzo believes that you cannot skip the high-touch step, especially when you are trying to build trust with customers who are new to the idea of insurance. For Pioneer, this meant partnering with microfinance institutions as distribution channels because they already had relationships with many of the targeted clients. Lorenzo believes this will lead to customers seeking out insurance on their own, which will allow cheaper, lower-touch agent networks to offer more return on investment in the future. While JUMO has a primarily low-touch SMS platform, it has invested in agent training, call centers and even some face-to-face client time to ensure that customer journeys build value. In the end, both Lorenzo and Buhle agreed that when bringing new segments into the financial sector, it is less about how much touch than how to get the right touch.

There’s no better place than India to think about this question. I went there anxious to see the digitalized post-demonetization financial sector. Instead, I found an India where cash still rules. Many bank accounts sit idle, having been established only because the government required people to do so. Which brings me to the question: Why have digital financial services had such limited take-up despite the big regulatory and supply-side push?

The answer very likely lies in the interconnection between trust and touch. At the SPTF conference, Graham Wright, the Director of Microsave, emphasized that customers prefer a high-touch information source when learning about a product. That is, they need to trust it before they are willing use it for the first time. Alexis Briggs Olson shared research from Accion’s CFI in which 75 percent of clients interviewed in Kenya prefer talking to a human when registering complaints. In each of these situations, working with a staff member face-to-face helps customers decide whether to trust the information they are receiving. If people are avoiding digital financial services because of a trust deficit, this does not bode well for India, where there is little customer-centric outreach to low-income households.

Last week, I had coffee in Nairobi with Craig Heintzman from Arifu. His company uses friendly chat bots fueled with artificial intelligence to interact with customers, primarily through SMS. Craig believes this on-demand, human-like “teaching” can take the place of high-touch methods for developing both awareness of and trust in new services. Back in India, one thing is certain: financial institutions have to find the right touch for building customer trust. Otherwise, they risk continuing to leave lower-income households behind.

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PAPER WRAP-UPS

Advancing Financial Inclusion Metrics: Shifting from Access to Economic Empowerment


The authors of this report address ways to improve the measurement of financial inclusion and how to bridge financial inclusion with financial health. They consider three case studies: (1) Insight2Impact, a data-analysis company seeking to measure financial inclusion based on the needs of consumers rather than the products they are offered; (2) the nonprofit Center for Financial Services Innovation (CFSI), which measures “long-term” consumer outcomes in the US; and (3) the application of CFSI’s model to other countries by Accion’s Center for Financial Inclusion. The authors argue that...

Understanding the Impact of Savings Groups


Ms Gash concludes that members of savings groups generally experience an increase in self-confidence, food security and credit usage even if they do not...

Microfinance and Business Start-ups: Review of the Current Practice in Europe


Ms Pytkowska and Mr Korynski review the climate for start-up companies in 11 European countries, including how microfinance institutions (MFIs)...

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Vision Microfinance: Social Impact Investing

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Vision Microfinance allows private and institutional investors to participate in the „fast-growing“ microfinance industry. Investors benefit from the extensive asset management expertise of C-QUADRAT Asset Management, which works in close partnership with microfinance specialist Symbiotics, a market research expert in sustainable investments. This unique cooperation of fund manager and research team yields innovative microfinance solutions: Vision Microfinance.

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