MicroCapital Monitor
ON MICROFINANCE & OTHER FORMS OF IMPACT INVESTING

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MICROCAPITAL BRIEFS | TOP STORIES

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VisionFund Sells Cambodian MFI to Woori Bank of South Korea
Request a sample of the subscriber edition to read about this MicroCapital Deal of the Month.

Guidelines for Investing in Responsible Digital Financial Services Launched
Fifty fund managers, investment funds, development finance institutions and NGOs from four continents recently launched the Guidelines for Investing in Responsible Digital Financial Services, a set of voluntary standards supported by the G20 group of large economies. The development of the framework is a response to concerns such as “the rapid growth of digital lending products, some of which carry risks of overpricing and over-lending to customers.” A list of the guidelines is available at https://microcapital.org. The guidelines’ co-founding signatories have invested approximately USD 1.5 billion in 200 financial technology companies. June 28, 2018

OPIC Loans $100m to Lafise for Housing, Consumer, SME Lending in Central America
The Overseas Private Investment Corporation (OPIC), an agency of the US government that encourages investment in developing countries, recently loaned USD 100 million to the Panama-based Grupo Lafise, whose holdings provide retail banking, investment banking, export financing, insurance and asset management services in 10 countries in Latin America. The proceeds will be used to expand lending for housing, consumption, and small and medium-sized enterprises (SMEs) in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. At least USD 25 million of the total is to be directed to women borrowers, and one third of the total is targeted to El Salvador, Guatemala and Honduras. Grupo Lafise, which was founded in 1985, reports total assets of USD 4 billion, outstanding loans of USD 2.3 billion, customer deposits of USD 231 million and 2017 pre-tax earnings of USD 73 million. June 20, 2018

World Bank Supporting Angel Investors, Startups in Gaza, West Bank
The US-based World Bank recently announced it will disburse grant funds totaling USD 13 million over seven years to build the “Innovative Private Sector Development Project,” which is designed to improve networking and financing opportunities for firms operating in the Palestinian Territories. The majority of the funding is for technical support to investors looking to fund startups, including training sessions for angel investors and an “automated company registration system” for tracking potential investors. USD 3 million of the funding is for a technology service hub to serve startups and other local firms. GGateway, a nonprofit technology provider in Gaza, will create the hub. June 8, 2018

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**MICROCAPITAL BRIEFS**

**IFC Loans $1.2m to AFK for Farmers, Smaller Firms in Kosovo**
The International Finance Corporation (IFC), a unit of the World Bank Group, recently loaned the euro-equivalent of USD 1.2 million to the Agency for Finance in Kosovo (AFK) to expand lending to “micro and small businesses, and small farmers and agri-businesses in rural and semi-urban areas, in particular.” The microlender, which was founded in 1999 by US-based NGO Mercy Corps, serves 14,000 customers via 20 branches as of 2018. As of 2016, it reported total assets of USD 20 million and a gross loan portfolio of USD 18 million. June 22, 2018

**World Bank Loans $50m for Kenyan SMEs, Startups**
The World Bank’s International Development Association recently loaned USD 50 million to the government of Kenya to create the Kenya Industry and Entrepreneurship Project, which is designed to strengthen the productivity and competitiveness of existing small and medium-sized enterprises (SMEs) as well as startups. The project is intended to benefit 33,000 individuals and 2,400 firms across Kenya. About half of the funds are allocated to creating networking opportunities and “boot-camps,” which will include training in technology and soft skills. USD 21 million is budgeted for performance-based grants of up to USD 150,000 per SME. June 21, 2018

**OPIC Loans CrediQ $143m for Vehicles in Costa Rica, El Salvador**
The Overseas Private Investment Corporation (OPIC), an agency of the US government that encourages investment in developing countries, recently loaned USD 143 million to CrediQ Inversiones de Costa Rica and CrediQ El Salvador, two vehicle financiers owned by Grupo Q of El Salvador. The funding is intended for auto loans and leases for small and medium-sized enterprises (SMEs), with an emphasis on those in the agriculture, construction and transportation sectors. Grupo Q sells used and new cars as well as provides auto loan financing and vehicle repair services to individuals and SMEs in Costa Rica, El Salvador and Honduras. CrediQ reports total assets of USD 186 million, gross outstanding loans of USD 161 million, return on equity of 25 percent and return on assets of 3.9 percent. June 21, 2018

**I&M Bank Rwanda, Blockbonds Rolling Out Mobile Banking App**
I&M Bank Rwanda, a unit of Kenya’s I&M Holdings Limited, and Blockbonds, a Norwegian mobile banking technology firm, recently announced the debut of Spenn, an app offering person-to-person payments, retail point-of-sale transactions and electronic bank account deposits via mobile phones. The app uses a technology known as blockchain, a record-keeping system that can be used to record financial transactions on multiple computers so that the data are not dependent on any single machine. To build the app’s user base, I&M has budgeted USD 50,000 to pay commissions to customers who refer friends and family. Founded in 1963, I&M Bank Rwanda is a commercial bank with 10 branches and total assets equivalent to USD 303 million. I&M Holdings Limited also operates subsidiaries in Kenya, Mauritius and Tanzania. June 20, 2018

**Zimbabwe Women Microfinance Bank to Finance Rural Women**
The Reserve Bank of Zimbabwe recently disbursed USD 10 million to form the Zimbabwe Women Microfinance Bank (ZWMB) Limited, whose focus is to provide deposit and lending services to rural women entrepreneurs. The new bank will offer microloans at an unspecified level below the market rate, which averages 9.3 percent as of June. Part of ZWMB’s strategy is to partner with the government-owned People’s Own Savings Bank (POSB), which has 34 branches, largely in rural areas. Formed in 1904 as the Post Office Savings Bank, POSB reports total assets of USD 227 million, customer deposits of USD 159 million and outstanding loans of USD 92 million. June 19, 2018

**India’s Nucleus Debuts “FinnOne Neo mFin” Lending Tool for MFIs**
Nucleus Software, an India-based provider of technology to financial services firms, recently announced the launch of FinnOne Neo mFin, a system that microlending institution (MFI) staff can access via smartphones to perform tasks such as managing loan applications and checking credit reports. Nucleus offers banking software for serving businesses, customer relationship management systems and various lending apps. Nucleus was established in 1998 and has product installations in 150 companies in 50 countries. June 19, 2018

**OPIC Loans $100m to IndusInd for Microlending to Women in India**
The US government’s Overseas Private Investment Corporation (OPIC) recently issued an eight-year loan of USD 100 million to India’s IndusInd Bank to increase its microenterprise lending to women. IndusInd, which was founded in 1994, provides traditional and microfinance services. In addition to representative offices in the UAE and UK, it has approximately 1,000 branches and 1,800 automated teller machines in India. The bank reports total assets equivalent to USD 28 billion, deposits of USD 20 billion, outstanding loans of USD 17 billion, return on equity of 15 percent and return on assets of 1.9 percent. June 19, 2018

**IDB Invest Places $10m in Bozano Fund for Healthcare in Brazil**
IDB Invest, the private sector arm of the Inter-American Development Bank (IDB) Group, recently placed USD 10 million in equity in Bozano Investimentos, a Brazilian private equity and asset management firm active in technology, education, healthcare and consumer goods. The investment will be directed to the Bozano Growth Capital Fund, an equity fund active in the education, health and consumer-goods sectors. The new funds are targeted specifically to “family-controlled mid-sized companies...in the healthcare sector.” As part of the agreement, Bozano Investimentos will adopt IDB Invest’s Women Empowerment Principles Gender Analysis Tool, requiring Bozano Investimentos’ investees to collect data and develop policies relating to gender equity. Founded in 2013, Bozano Investimentos manages assets valued at the equivalent of USD 929 million. June 19, 2018

**NMI Raises $105m for Fund IV to Invest in Africa, Asia**
The Nordic Microfinance Initiative (NMI), a Norway-based public-private partnership that supports microfinance institutions (MFIs) in developing countries, recently debuted its fourth fund with a total of USD 105 million in commitments from the following organizations: Norway’s Den Norske Bank; Norwegian holding company Ferd; Norwegian insurer Kommunal Landspensjonskasse; and two government-backed institutions, the Norwegian Investment Fund for Developing Countries (Norfund) and the Danish Investment Fund for Developing Countries. The new investment vehicle, known as Fund IV, primarily will place equity in MFIs in Southern Africa and Asia, with a priority on institutions prioritizing women. NMI's other three funds have a total volume of USD 195 million. June 13, 2018

**Interest Rates Fall at Tanzania’s NMB**
Tanzania’s government recently implemented several measures with the goal of reducing borrowing costs: (1) cutting the Bank of Tanzania’s short-term rates on loans to banks to 6.9 percent; (2) lowering the longer-term discount rate to 9 percent; (3) reducing banks’ minimum deposit reserve requirement to 8 percent; and (4) creating a credit reference system. Subsequently, the National Microfinance Bank reportedly reduced its interest rate for entrepreneurial loans from 23 percent to 21 percent and the rate on loans to salaried workers from 21 to 17 percent. The Cooperative Rural Development Bank also cut its interest rate for salaried workers’ personal loans from 22 to 16 percent. June 13, 2018

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WOMEN’S LEADERSHIP ACADEMY
SEPTEMBER 17–21, 2018

Should the top job go to Esther?

Yes
Why?

She empowers
She inspires
She is creative
She is a good negotiator
She thinks strategically

No
Why?

She is a woman

She has trouble expressing her ideas

This is not a valid reason

She has challenges closing deals

This can be improved

She feels uncomfortable speaking in public

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AT OUR WOMEN’S LEADERSHIP ACADEMY

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A compelling value proposition is essential to increasing customer uptake.

Fern's powerful and flexible product design features enable inclusive financial institutions the ability to tailor customer-centric products that address pain points and support customers in their daily lives.
Business Planning with MICROFIN 4.15

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August 13-17, 2018  
September 17-21, 2018  
October 22-26, 2018  
Oct. 29 - Nov. 2, 2018  
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Discuss  
Explore  
Network  
Innovate

Financing the “World We Want”
**EAR TO THE GROUND**

**“Finnovate” or Duplicate: Mexico’s Fintech Challenge**

In Mexico this week, I took a look beyond traditional microfinance models by putting myself in the shoes of two early-stage fintechs. If you’re going to work with fintechs, this is the place to do it! Depending on the source, between 158 (per Finnovista) and 238 (per Statista) fintechs are said to coexist here, creating one of the most active such marketplaces in Latin America. (Brazil is the other contender for the top spot.) Finnovista, a fintech start-up accelerator, foresees these companies winning 30 percent of Mexico’s banking market during the next 10 years. This comes as no surprise to most; Mexican banks have a tradition of slow legacy systems and bureaucratic processes that keep innovation at bay. The country’s microfinance sector also has been behind the curve vis-à-vis other markets in the region. It faces significant challenges, including lack of product compatibility with client needs, high operational costs and stubbornly high delinquency rates. Thus the fintech revolution is welcome here.

A few examples have shown promise, encouraging investment in copycat firms. For example, Albo, a mobile wallet-like application, lures millennials out of banks with access to secured credit cards and online transactions, all with no fees. Clip, which allows merchants to read credit cards on the move, is disrupting banks’ wired point-of-sale systems. Lenders such as Kubo Financiero, which began as a P2P service, and Kueski are making small loans more accessible than cooperatives and MFIs that require visits to a branch or attendance at solidarity group meetings.

Because of Mexico’s unique market environment and its large size, the country seems to have plenty of room for these models to evolve. However, the biggest risk is still a key one in my opinion: fintech business models remain largely unproven. Only a handful of the hundreds of companies in the market are known to have broken even. While there is limited publicly available data on this, a hint of which models may be more profitable lies in which products fintechs are betting on. According to Finnovista, 30 percent of Mexico’s fintechs are in the payments and remittance space, and another 20 percent are in the business of lending, where banks have been notoriously inaccessible.

Another crucial and related risk is that the new models may not meet client needs. I would be most cautious when it comes to lending, particularly with loans for productive activities. Digital loans are typically small and focus on consumers, not businesses. If these loans replace - rather than improve - Mexico’s brick-and-mortar institutions, there will be a gap. Mexican lenders already offer one of the smallest average loan sizes in the region, often too small for productive use at USD 630.

Some consumer lenders are considering a full switch to digital lending. MFIs that are tempted to follow suit may be ignoring the needs of those clients who are most likely to contribute to economic growth and employment. If neither fintechs, MFIs nor banks can figure out how to make right-sized loans to microentrepreneurs, the sector is more at risk of duplication than disruption.

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[at]eac-global.com, or you may follow her on Twitter at BarbaraatEA.
**PAPER WRAP-UPS**

**How Microfinance is Navigating the Fintech Revolution in Africa**


Triple Jump surveyed 17 microfinance institutions (MFIs) in Africa with the goal of learning more about “how MFIs view fintech [financial technology], its potential uses... drivers, challenges and critical success factors.” The authors found that: (1) MFIs tend to see fintech as a favorable business opportunity rather than an emerging threat; (2) MFIs recognize the merits of fintech solutions, particularly in terms of customer convenience, internal workflow efficiency and data collection to reduce credit risks; (3) despite the enthusiasm for fintech services, including internet banking, person-to-person lending and digital financial education, the adoption of these solutions remains slow; (4) the main challenges for MFIs implementing fintech services are...

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**Financial Inclusion Hype vs Reality: Deconstructing the 2017 Findex Results**


From the World Bank's annual Global Findex survey, the authors point out that: (1) Although worldwide bank-account ownership increased from 42 percent to 63 percent since 2011, the number of accounts that have been dormant for a year or more has grown by...

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**8th Annual Impact Investment Survey**


Based on data from 299 investors, the authors find that: (1) among the 82 investors that participated in the last five years of the survey, aggregate assets under management have grown at a compounded annual rate of 13 percent; (2) most impact investors describe their investment performance as satisfactory, with 82 percent meeting expectations for impact and...

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**Vision Microfinance: Social Impact Investing**

Vision Microfinance is an appeal to combat poverty in a meaningful and sustainable way. So far 1.21 billion USD have been distributed in the form of 912 loans to 259 microfinance institutions in 60 countries. Thanks to our investors, the lives of over 1 m people in developing countries have been transformed.

Vision Microfinance allows private and institutional investors to participate in the „fast-growing“ microfinance industry. Investors benefit from the extensive asset management expertise of 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.

www.visionmicrofinance.com

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