ResponsAbility Securitizes $175m for 26 Lenders from Alecta, Calvert, OPIC, Others
Request a sample of the subscriber edition to read about this MicroCapital Deal of the Month!

IFC Loans $225m to Guatemala’s BAM for Housing, SMEs
The International Finance Corporation, a member of the World Bank Group, recently disbursed a loan of USD 225 million to Banco Agromercantil de Guatemala (BAM), a subsidiary of Colombia-based Grupo Bancolombia. BAM is to on-lend the funds for housing as well as small, medium-sized enterprise (SME). IFC Regional Industry Manager Marcelo Castellanos commented, “Having a dynamic housing sector with access to finance for SMEs is fundamental for Guatemala’s sustainable development, and we are confident that financial institutions like BAM will play an important role in driving the growth of these sectors.” BAM provides banking services in Guatemala at 165 agencies in 22 departments in Guatemala as well as via a digital banking system called BAMnet. The bank has total assets equivalent to USD 3.5 billion and total deposits of USD 2.4 billion. July 25, 2019

Competition Offers $1m to Women Entrepreneurs in East Africa
A group of development finance institutions (DFIs), along with the Canada-based Mastercard Foundation, recently announced they will sponsor the 2X Invest2Impact business competition with the aim of supporting “the growth of high-potential, women-owned businesses [in East Africa] to increase their commerciality and impact.” The DFIs co-sponsoring the competition include the following government-backed institutions: CDC Group, a UK-based organization formerly known as the Commonwealth Development Corporation; FinDev Canada; the US government’s Overseas Private Investment Corporation (OPIC); and Promotion et Participation pour la Coopération Économique (PROPARCO) of France. 2X Invest2Impact is different from many other entrepreneurial initiatives in that it focuses on more mature “growth stage” businesses that are ready to utilize larger amounts of investment capital. It will provide the selected women with “mentors, business development services, visibility, and the opportunity for funding.” Of 25 finalists, three winners will share USD 1 million in business funding plus USD 85,000 in cash prizes. July 17, 2019

Jordan’s Tamweelcom Nets Guarantee for Lending to Refugees
The Dutch development bank, which is known by the acronym FMO, recently committed to participate in a risk-sharing facility of up to USD 1.5 million to support Tamweelcom, a microfinance organization in Jordan, to fund entrepreneurship among refugees from Syria. Borrowers that hold identification from both the UN High Commissioner for Refugees and the Jordanian Ministry of the Interior will be eligible to apply for loans equivalent to USD 1,400 to USD 10,000. The facility is part of the pilot phase of FMO’s Nasira program, which “supports young, female and migrant entrepreneurs in Sub-Saharan Africa and countries neighbouring Europe” by providing guarantees to local banks to mitigate the risks of lending to underserved entrepreneurs. Nasira reimburses lenders to the extent that they lose more than 10 percent on their loans to… July 3, 2019

*To access more of these top stories, please email info[at]microcapital.org to request a sample of the subscriber edition of this newspaper!
SPECIAL REPORT

This vignette is part of a sponsored series demonstrating the value of SAM (the French acronym for African Microfinance Week), a major conference dedicated to financial inclusion in Africa. The next SAM will take place in Ouagadougou, Burkina Faso, from October 21-25, 2019. The first three SAMs were in Tanzania in 2013, Senegal in 2015 and Ethiopia in 2017.

The goal of SAM is to provide a unified platform for addressing issues facing microfinance in Africa by bringing together investors, microfinance institutions (MFIs), researchers, banks, networks, innovators, governments and other stakeholders.

The 2017 SAM hosted 700 participants from 58 (mostly African) countries, including representatives of 200 MFIs; 25 exhibitors at the Innovation Fair; and 26 investors, who made 170 MFI contacts at the Investor’s Fair. The proceedings also included conference sessions presented by 60 speakers plus 20 training programs.

SAM Facilitates Long-term Relationship for Agora Microfinance Zambia, Triple Jump

Team members of Triple Jump, an impact-focused asset manager with offices in the Netherlands and Kenya, and Agora Microfinance Zambia (AMZ), a microfinance institution dedicated to serving low-income, rural households in Zambia, met for the first time at the Investors’ Fair at the 2017 SAM conference in Addis Ababa, Ethiopia. During a speed-dating session, Triple Jump found AMZ to be an interesting prospect because of its rural focus as well as having a smaller, yet high-quality portfolio.

In the first quarter of 2018, AMZ borrowed EUR 500,000 (USD 560,000) from Triple Jump for 24 months. Despite the difficult economic times in Zambia due to the effects of high government borrowing levels, AMZ continues to grow in terms of client outreach as well as portfolio size (68 percent in local-currency terms since disbursal of the loan).

In terms of social performance, AMZ is committed to the financial inclusion of individuals who are more difficult to serve. Of its nearly 30,000 micro-borrowers, 85 percent are based in rural areas, and 62 percent are women. The MFI’s average loan size is only USD 130. Despite this focus on the “base of the pyramid,” AMZ impressively has managed to keep down both the number of customers experiencing repayment difficulties and the number of people borrowing from multiple institutions. Triple Jump quantified this commitment to social performance via its proprietary assessment tool, on which AMZ scored a “good” 73 percent overall and an “excellent” 83 percent in terms of client protection. Although there is still room for improving how the MFI uses social-performance data for decision making, this is a common issue for an organization of its size, and Triple Jump is confident that AMZ is on the right track.

In the area of technical assistance, AMZ asked Triple Jump for help improving its risk assessment practices as part of restarting agri-lending, which it had discontinued previously after experiencing low repayment rates. In particular, AMZ was keen to use the Agricultural Loan Evaluation System (ALES) tool from the Frankfurt School. This eventually became the first implementation of ALES in Southern Africa. Triple Jump and AMZ acted quickly to set up the project, in partnership with another technical assistance provider, the Grameen Credit Agricole Foundation, in order to be ready for the next planting season.

This time, AMZ targeted five key crops, namely maize, watermelon, soya beans, tomatoes and groundnuts. Loan officers used the ALES software to perform credit assessments and calculate loan amounts and repayment terms based on factors including crop type and acreage. During the pilot period from November 2018 to July 2019, AMZ built up a product portfolio of EUR 75,000 (USD 85,000), reaching 400 farmers and maintaining PAR30 at 0.5 percent. The key learnings are that: (1) the loans should be managed only by client officers who are familiar with both ALES and agriculture; and (2) that ALES does not eliminate the need for monitoring clients after loan disbursement. Based on its success, AMZ is expanding the agriculture loans to more of its branches.

Lorraine Indangasi, one of Triple Jump’s investment officers for Africa and the Middle East, summarized the relationship with AMZ as follows: “Through the SAM conference, Triple Jump met AMZ, and this turned out to be an inspiring example, looking at the robust expansion of AMZ, staying close to its mission, and with strong rural outreach and sound products.”

AMZ CEO Susan Chibanga said, “Triple Jump has been extremely supportive in providing debt finance for portfolio growth and technical assistance for the agriculture product pilot. With the technical assistance, ALES has brought efficiency to our appraisals and monitoring. Our rural outreach with targeted focus on smallholder farmers has been greatly enhanced with the introduction of the agriculture product, and we are most grateful to have had input from Triple Jump.”

During the 2019 SAM, Triple Jump’s team expects to further broaden its network by meeting with peer investors and prospective investees as well as industry experts. Triple Jump also will participate in the Investor’s Fair, with the aim of deploying new investments to MFIs in Africa. Through the panels in which Triple Jump team members will participate, Triple Jump will share market knowledge and expertise with various stakeholders. Triple Jump is also sponsoring the SAM conference, with the aim of creating more awareness of its role as an impact investor among all stakeholders present.

ADA, an NGO based in Luxembourg, co-organizes SAM every two years with the support of Luxembourg’s Ministry for Development Cooperation and Humanitarian Affairs. The SAM steering committee members are: ADA, Luxembourg’s Ministry of Foreign and European Affairs, the Microfinance African Institutions Network, the African Rural and Agricultural Credit Association, and the Fédération des Association Professionnelle des Systèmes Financiers Décentralisés de l’Union Economique et Monétaire Ouest Africaine. We invite you to learn more about SAM at http://www.sam-africa.org.
EAR TO THE GROUND

It’s Not About You, Fintechs: Big Banks and Big Tech Control the Race for Market Share in Mexico

Last week, I was lucky to be in Mexico City during Finnovista’s Demo Day, where the latest graduates from Finnovista’s Scale Start-Up Bootcamp showcase their progress and potential after six months of mentorship, support and cross-learning. These fintechs have been tackling the payments, credit and insurance spaces creatively. Sonect, for example, goes directly to the merchant, “Uberizing” cash management for shops when they have too much or too little cash on hand.

However, even more important, perhaps, were the happenings off-stage. In the audience (as well as on stage) were banks, banks and more banks, all sniffing out would-be partners for joint ventures or acquisition. Mexican banks have clearly decided to make a play for fintech, while accepting that their own bureaucratic structures might never allow them to reach the hundreds of thousands of still-unbanked customers. The banks are not without challengers, however. “Big techs” like Facebook, Google and PayPal have been eyeing the same space. Unlike in some other parts of the world, where fintechs are riding mobile networks to disrupt MFIs and banks, fintechs in Mexico are poised to become critical partners for banks as banks try to fight off big tech to stay relevant.

Interestingly, fintechs themselves may have inadvertently drawn the big techs into this space. Most fintech entrepreneurs I have spoken with are relying on search-engine ads and Facebook banners to acquire new customers. I wonder if the big techs are planning to steal a page from Amazon’s playbook. They must be amassing quite a bit of data about who is clicking on these ads and acquiring financial services from their tiny counterparts. For a big tech to offer its own financial products to these users is a logical next step for these behemoths.

If banks in Mexico really want to make headway in this space, they will need to offer their distribution channels to fintechs to help them grow independently of the big tech advertising channel. Sadly, these banks are not well known for the responsiveness of their distribution channels. Most banks rely on unwelcoming branches that keep limited hours and ATMs that place customers at risk of theft. Those banks that do have alternative distribution channels are at an advantage. Saldazo, through which Citibanamex services are available at OXXO convenience stores, is one of the most successful “digital” bank products in Mexico.

To attract the best fintech partners, banks will need to deliver better customer acquisition outcomes than big tech. Doing so will also allow those fintechs to avoid giving away their own customers to the likes of Facebook as they race to advertise online. I am not sure who the winners or losers will be in the end, but I am concerned for the end-customer, who isn’t likely to be heard as big banks and big tech fight it out.

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.
The single most important source of competitive advantage has become the ability of organisations to adapt to change.

Fern’s banking software helps inclusive financial institutions worldwide respond to today’s fast-changing environments.

The New Standard for Smaller MFIs’ Financial and Social Projections

microvision

Download at www.microfact.org

Join a workshop in:
Benin, en français, September 24 - 27
Dominican Republic, en español, November 4 - 7

Business Planning with MICROFIN

September 9-13 London
October 14-18 Mexico City - SPANISH!
December 9-13 Standard Web Course
microfin.mfiresources.org

The data and insights that power the financial inclusion industry.

Learn more at themix.org

Súmense a nuestra red de mujeres profesionales en microfinanzas de Latinoamérica y el Caribe

Andares
Mujeres para las Microfinanzas

Liderazgo
Aprendizaje
Intercambio
Mentoria

© 2019 MicroCapital
PAPER WRAP-UPS

Influence of Ownership Type and CEO Power on Residual Loss: Evidence From the Global Microfinance Industry

By Leif Atle Beisland, Daudi Pascal Ndaki and Roy Mersland; published by Nonprofit and Voluntary Sector Quarterly; May 2019; 40 pages; available at: https://www.researchgate.net/publication/333175215_Influence_of_Ownership_Type_and_CEO_Power_on_Residual_Loss_Evidence_From_the_Global_Microfinance_Industry

Based on data from 374 microfinance institutions in 76 countries, the authors seek to identify “whether the agency cost component referred to as 'residual loss' differs between non-profit and shareholder-owned microfinance organizations and whether such costs are further influenced by CEO power.” The authors define agency loss as “loss associated with management diverting resources for personal gain (for example, consuming a perquisite excessively or overstaffing to secure an 'easier life' for the CEO) that would otherwise have been used to grow the firm or been distributed to its owners as dividends.” Dr Beisland et al conclude that residual loss is higher in…*

Toward Better Resilience During the War Crisis: Case Study of Three Microfinance Institutions in Yemen


Based on interviews with 11 staff members of three microfinance institutions (MFIs), the authors describe some of the MFIs' challenges and responses since armed conflict began disrupting commerce…*

The Inclusion Imperative: A Call to Action


Aimed at policy makers and regulators, this report sets out 11 recommendations intended to aid “inclusive growth and development efforts” in the Asia-Pacific region. Three of the recommendations involve aligning broader development efforts with strategies relating to financial inclusion, gender issues and…*

*To access the rest of these paper wrap-ups, please email info[at]microcapital.org to request a sample of the subscriber edition of this newspaper!